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RÔMULO ALVES SOARES

COMPARATIVE CAPITALISM APPROACHES TO CORPORATE SOCIAL RESPONSIBILITY: HOW INSTITUTIONS AND PRACTICES CO-EVOLVE?

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Orientadora: Profª Dra. Mônica Cavalcanti Sá de Abreu

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Aos meus pais, Lucineide e Maurício.

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“The universe is big, and if you’re sufficiently attuned to amazingly improbable occurrences, you’ll find them. Improbable things happen a lot” (ELLENBERG, 2014, p. 97)

RESUMO

Esta pesquisa busca aprofundar a compreensão de como o ambiente institucional pode afetar as práticas de responsabilidade social corporativa (RSC). Para tanto, a tese foi elaborada em três artigos que buscam preencher lacunas observadas na literatura a respeito da relação entre o ambiente institucional e a RSC. No primeiro artigo, investiga-se como a pressão dos stakeholders e as motivações para a adoção de práticas de RSC afetam a forma como as empresas nacionais e estrangeiras que operam no Brasil se engajam na adoção de tais práticas. Usando dados coletados por meio de questionários de 140 empresas em cinco setores (alimentos, brinquedos, eletrônicos, cuidados pessoais, higiene e têxtil), a pesquisa mostra a existência de dois grupos de empresas atuando no Brasil. O primeiro grupo é composto por empresas que se engajam ativamente em práticas de RSC, pois percebem maiores benefícios financeiros ou de reputação com sua adoção, bem como percebem maior pressão dos stakeholders. O segundo grupo é formado por empresas com menor engajamento nas práticas de RSC, priorizando práticas obrigatórias e voltadas para os empregados. Essas empresas percebem menos benefícios financeiros e de reputação com a adoção de práticas de RSC, além de perceberem a pressão de um conjunto menor de stakeholders. De maneira geral, o resultado do primeiro artigo mostra que há espaço para diferentes respostas no contexto brasileiro, o que contrasta com o que se observa na literatura. O segundo artigo da tese expande o escopo do primeiro ao avaliar as práticas de divulgação de RSC de 86 empresas em oito países. O artigo mostra que a divulgação de RSC das empresas em economias liberais e coordenadas, tem seu comportamento descrito de forma coerente pelas Variedades do Capitalismo. No entanto, empresas de países em desenvolvimento, como Brasil e Índia, não demonstram a mesma adequação, o que evidencia a necessidade de buscar novas abordagens teóricas para explicar as práticas de RSC nesses países. Nesse sentido, o terceiro artigo da tese, utilizando uma amostra de 253 empresas, de cinco países, visa investigar, sob a perspectiva da Variedade de Sistemas Institucionais, como a adoção de diferentes práticas de RSC está passando por um processo dinâmico, que se desenrola de forma diferente em países desenvolvidos e em desenvolvimento.

Palavras-Chave: Responsabilidade Social Corporativa. Teoria Institucional. Variedades de Capitalismo. Variedades de Sistemas Institucionais.

ABSTRACT

This research seeks to deepen the understanding of how the institutional environment can affect corporate social responsibility (CSR) practices. In order to do this, the thesis was elaborated in three papers that seek to fill gaps observed in the literature that concerns the relationship between the institutional environment and CSR. In the first paper, we investigate how pressure from stakeholders and the motivations for adopting CSR practices affect the way in which domestic and foreign companies operating in Brazil engage in the adoption of such practices. We used survey data for 140 companies in five industries (food, toys, electronics, personal care and hygiene, and textiles). The research shows the existence of two clusters of companies operating in Brazil. The first cluster is composed of companies that actively engage in CSR practices, since they perceive greater financial or reputational benefits from their adoption, as well as perceive greater pressure from stakeholders. The second cluster is made up of companies with less engagement in CSR practices, prioritizing mandatory and employee-oriented practices. Such companies perceive less financial and reputational benefits from the adoption of CSR practices, in addition to perceived pressure from a smaller range of stakeholders. In general, the result of the first paper shows that there is room for different responses in the Brazilian context, which is in contrast to what is observed in the literature. The second paper of the thesis expands the scope of the first by assessing CSR disclosure practices of 86 companies in eight countries. The paper shows that the disclosure of CSR of companies in liberal and coordinated economies, has its behavior coherently described by the Varieties of Capitalism. However, companies in developing countries, such as Brazil and India, have not shown the same adequacy, which shows the need to seek new theoretical approaches to explain CSR practices in these countries. In this sense, the third paper of the thesis, using a sample of 253 companies, from five countries, aims to investigate, from the perspective of the Variety of Institutional Systems, how the adoption of different CSR practices is going through a dynamic process, which unfolds differently in developed and developing countries.

Keywords: Corporate Social Responsibility. Institutional Theory. Varieties of Capitalism. Varieties of Institutional Systems

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1 INTRODUCTION

1.1 Context and research question

Corporate social responsibility (CSR) concept has grown significantly over the past decades deriving from the idea that companies have responsibilities to society in addition to being profitable (CAROLL; SHABANA, 2010). According to the World Business Council for Sustainable Development (1998), CSR is defined as a continuous commitment by companies to behave ethically and contribute to economic development, improving the quality of life of the workforce and their families, as well as the local community and society in general. This concept was driven by the idea that companies can have a positive influence on social change, in addition to reaping potential benefits that companies can receive from the implementation of CSR practices (DU; BHATTACHARYA; SEN, 2010).

However, it is important to note that CSR practices have not spread as a homogeneous approach. Instead, considerable heterogeneity can be identified in CSR approaches between companies from different countries (BARKEMEYER; SALIGNAC; ARGADE, 2019). Explanations for these differences generally suggest that companies' CSR priorities are influenced by institutions at the national level, which in turn results in variations in CSR engagement at the country level.

Based on this idea, Matten and Moon (2008) developed one of the most influential frameworks on how institutions shape CSR practices. The authors compare an explicit form of CSR from the United States and an implicit CSR from Europe. Explicit CSR refers to corporate policies that convey responsibility for certain social interests. This responsibility usually consists of voluntary company programs and strategies that combine social and commercial value and address issues perceived as part of the company's social responsibility. Implicit CSR, on the other hand, refers to the role of companies within broader formal and informal institutions to address society's interests and concerns. Such an approach consists of values, norms and rules that result in companies being forced to address stakeholder issues and that defines the appropriate obligations of corporate actors in collective rather than individual terms (GAMERSCHLAG; MÖLLER; VERBEETEN, 2011).

The work presented by Matten and Moon (2008) is heavily influenced by Hall and Soskice (2001), who examined the behavior of companies, establishing what they called “the relational view of the company”. They focused on five spheres in which a successful company was obliged to coordinate their activity with other key actors. The five spheres focus on were industrial relations, training and vocational education, corporate governance and access to finance, relations between companies and relations with their own employees (COATES, 2015).

Hall and Soskice (2001) argued that national economies can be compared with each other by the way companies deal with these coordination problems. Such a comparison is only possible and useful because, according to the authors, the incidence of different types of relationships between companies varies systematically between countries. They argue that the main resulting distinction was between two types of political economies: liberal market economies (LME) and coordinated market economies (CME), which represent ideal types at the poles of a spectrum across the spectrum. Many nations can be grouped together.

As one could expect, such a dichotomy between LME and CME ended up affecting the description of how the institutional environment can shape CSR practices. There is a debate in the literature as to whether CSR acts as a “substitute” or “mirror” for institutions at the national level. On the one hand, several authors have argued that CSR engagement levels reflect the overall quality of governance in a given context (MIDTTUN; GAUTESEN; GJØLBERG, 2006; WALKER; ZHANG; NI, 2019; YOUNG; MAKHIJA, 2014) while other authors defend that CSR engagement acts as a substitute in country environments that are characterized by a lack of functional governance mechanisms (JACKSON; APOSTOLAKOU, 2010; KINDERMAN; LUTTER, 2018; PREUSS; GOLD; REES, 2015).

However, one can argue that as the existence of a strong welfare state in continental Europe or the lack of it in the Anglo-American context contributed to different variants of CSR, it can also be expected that CSR in emerging and developing countries will be shaped by the contexts of governance these companies are incorporated in. Consequently, the conclusions regarding the “mirror” versus “substitution” debate that were generated based on developed economy’s companies may not hold for companies from emerging or developing countries (BARKEMEYER; SALIGNAC; ARGADE, 2019).

These differences in CSR standards and practices between the contexts of developed and developing countries are combined with differences in terms of regime types, company ownership, stakeholder base and, more generally, the national institutional contexts in which these companies are based (FAINSHMIDT et al., 2018). As such, CSR in emerging countries and developing countries can be seen as an adaptation process in which national companies convert international practices and standards into the context of their own country, resulting in unique manifestations of CSR at the national level (PILATO, 2019).

Another important gap observed in the current predominant literature concerns the dynamism of the institutions. Rana and Morgan (2019) argue that VOC is so strongly focused on national institutions, that they end up leaving no space to explain how the actors who interact with the institutions end up affecting them. Although institutional forces interact to shape, limit or facilitate diffusion and even the imposition of business practices and innovations in corporations (JUGEND et al., 2018), institutions are under dynamic pressures that vary in intensity, and can cause changes over time (AGUILERA et al., 2021).

This is especially relevant because CSR practices also have a dynamic process. In a review of their 2008 work, Matten and Moon (2020) argue that CSR strategies have become more complex than a simple dichotomy of explicit/implicit, or substitute/mirror suggests. Instead, CSR practices may have undergone a process of "explicitization" and "implicitization". They further argue that some CSR practices that have been implicitly guided by norms and rules have become more explicit, while explicit CSR strategies have become more implicit as they have become more common.

In summary, such argumentation reveals that the literature that seeks to investigate how the institutional environment can shape CSR practices, presents at least two gaps: i) it does not incorporate how the dynamism of the actors' interaction in the institutional environment can impact how companies respond through their socially responsible actions; and ii) the national configurations usually adopted in this literature are not adequate to explain the behavior of emerging countries with respect to CSR practices.

In order to address these gaps, we aim to answer the following question: *How interactions among companies and their institutional settings shape their CSR practices*?

1.2 Objectives

The aim of this research is to further investigate how the institutional environment and CSR practices co-evolve and interact. In order to do that, specific objectives were set:

- Investigate how different CSR patterns emerge in response to different institutional pressures and perceived business outcomes.
- Analyze which actors are able to influence corporations to act in socially responsible ways.
- Analyze how institutional characteristics influence the disclosure of the social and environmental practices of companies in different developed and developing countries

- Examine the explicitization process of environmental disclosure in different varieties of institutional systems

1.3 Justifications and motivations

Nowadays companies face increasing pressure to engage in socially and environmentally responsible actions, and such features can be seen as the main challenge for the business world (ORLITZKY; SIEGEL; WALDMAN, 2011). There are increasing internal and external pressures over companies to fulfill broader socially responsible goals (AGUILERA et al., 2007). Thus, managers must be able to make their organizations socially and environmentally more responsible, and economically more competitive. In other words, they must be able to better adapt their companies to market and non-market strategies (BARON, 2001). CSR, then, can be understood as one of the most widespread forms of private governance, since it consists of organizational policies and processes by which a firm develops its responsibilities in relation to social and environmental issues (RATHERT, 2016).

The concept of CSR has become important in the past few decades hence serious environmental problems, including overutilization of natural resources, noise pollution and the rapid disappearance of rainforests (GOVINDAN et al., 2021), as well as social problems such as aggravated poverty, social displacement, and exploitation of the workforce (GOLD; MUTHURI; REINER, 2018). Mitnick, Windsor and Wood (2020, p. 3) argue that "the future of CSR theorizing is vitally important and even more so with accelerating climate change, the COVID-19 pandemic, and calls for human rights and social justice". However, even though there has been a great deal of CSR-related research, "corporations still struggle to figure out where, how, and when to devote their social efforts, and doubts abound as to whether corporate efforts are truly in the public's best interest" (WANG; GIBSON; ZANDER, 2020, p. 1). In this vein, research in CSR has still a lot of room to develop.

Another point of interest addressed in this research is the investigation of companies in emerging countries. Tartar and Sam (2019), in a report written to Bloomberg, show that in 1992 about 62% of all bilateral deals were conducted between the United States, Canada and Europe. In 2017, this percentage dropped to 47% due to the increase in the participation of developing countries. Likewise, a McKinsey report from 2013 shows that the expected percentage of Fortune 500 companies based in developing countries will be 45% in 2025, against 17% in 2010 and 5% in 1990. In this sense, Luo and Deng (2018) state that companies from developing countries have become important players in global trade, which makes it relevant for their stakeholders to understand their motivations for adopting CSR practices (TASHMAN; MARANO; KOSTOVA, 2019).

However, the institutional contexts of these countries remain little explored, or even tend to be studied under an inappropriate lens. An example of this is the criticism made by Bothello, Nason and Schnyder (2019) to the term “institutional voids”. For the authors, the idea of institutional voids is based on a restricted view of transaction costs, according to which institutions are mere “rules of the game”, instead of being considered more holistically as regulatory, normative, cultural and cognitive elements that provide stability and meaning for social life. Thus, the search for the understanding of alternative institutional arrangements allows greater authenticity in the development of institutional theory in the context of developing countries.

Melissen et al., (2018) argue that CSR interpretation has been universalized and based mainly on western values and ideals and based on governance systems that are fundamentally different from those of developing countries. The authors stress the need to broaden the understanding of CSR, which requires both critical engagement with west-centric conceptualizations of CSR and attention to the distinctive features of the CSR agenda in the developing world. Amaeshi and Adegbite (2016) add to this debate stating that a significant stream of the literature argues that CSR requires strong institutional contexts that put pressure on companies to behave in a socially responsible manner. Because of that, CSR in developing countries would be non-existent or philanthropic due to their weak institutional arrangements (JAMALI, 2014). Nevertheless, companies from the developing world have been showing strong CSR practices. For example, Natura and Banco do Brasil have been on Corporate Knights’ Global 100 Most Sustainable Corporations since 2010 and 2013, respectively. Such cases highlight the need to understand how firms from emerging markets pursue and achieve responsible business practices (AMAESHI; ADEGBITE, 2016).

In this context, one of the contributions of this thesis is to develop a novel study exploring the Brazilian case for CSR. Miralles-Quirós, Miralles-Quirós and Gonçalves (2018) highlight that economic, natural, and human resources in Brazil make the country an important candidate for studying sustainable development and CSR. Our study centers on a period when Brazil stood out due to its expanding economy, which experienced one of the highest growth levels in the world during the first couple years of the 2010s decade. Another contribution of this thesis resides in the comparative approach between developed and developing countries. Comparative analysis aims to better integrate the study of different institutional domains and how, in turn, these domains shape stakeholder interests and their interactions within a governance system (AGUILERA; JACKSON, 2003). This is in line with Aoki (2001) that stresses the need to understand the mechanism of interdependencies among institutions across domains in different economies, in order to be able to understand why a particular institution emerges in some contexts, but not in other similar contexts.

This thesis also brings a methodological contribution. First, because of its predominant focus on aggregate measures of national configurations, the literature is not yet able to identify what particular aspects of national economic systems affect CSR practices. Second, because aggregations are also used for CSR as a dependent variable, the literature cannot yet clearly distinguish what aspects of CSR are precisely affected in what way by variation in national-institutional environments. Third, the literature so far has difficulties in providing convincing demonstration of the causal mechanisms at work between national institutions and corporate strategies towards CSR (FRANSEN, 2013). In this sense, we aim to contribute to the existing literature by employing disaggregated measures that cover different aspects of CSR practices, which may allow us to differentiate profiles of CSR adoption, and the identification of companies that adopt CSR in a decoupling manner, and those which CSR is embedded in their corporate strategy (AGUILERA et al., 2007).

1.4 Thesis structure

This thesis is structured in five chapters, three of which feature papers developed to answer the aforementioned research question and achieve the objectives set. The first chapter is this Introduction, which presents the scope and purpose of the thesis, as well as its justification and structure. The second, third and fourth chapters are presented as papers and are described in Table 1.

Table 1 – Papers presented in the thesis

	Paper 1 (Chapter 2)	Paper 2 (Chapter 3)	Paper 3 (Chapter 4)
Title	Salience of Multiple Actors Involved in Formal and Informal Governance Systems Encouraging Corporate Social Responsibility in an Emerging Country	Social and Environmental Disclosure in Developed and Developing Countries: Exploring the Mirror versus Substitute Dichotomy	Understanding the Dynamics of Explicitization: The Effect of Varieties of Institutional Systems on Environmental Disclosure
Purpose(s)	Investigate how different CSR patterns emerge in response to different institutional pressures and perceived business outcomes. Analyze which actors are able to influence corporations to act in socially responsible ways.	Analyze how institutional characteristics influence the disclosure of the social and environmental practices of companies in different developed and developing countries	Examine the explicitization process of environmental disclosure in different varieties of institutional systems
Data Collection and Database	Survey 140 companies from five industries that operate in Brazil	Secondary data 86 companies from three industries in eight countries. 568 firm-year observations	Secondary data 97 companies from three industries in five countries. 776 firm-year observations
Publication Process	Abreu, M.C.S., Soares, R. A, Rocha, R. and Boaventura, M.G. Salience of multiple actors involved in formal and informal governance systems encouraging corporate social responsibility in an emerging market. Competition & Change, ahead of print, 2021. https://doi.org/ 10.1177%2F10245294211017255	Preliminary version presented in the 32nd Society for the Advancement of Socio-Economics Annual Meeting (2020). Paper presented in the Manuscript Development Workshop of the 80th Annual Meeting of the Academy of Management (2020).	Preliminary version presented at the 33rd Society for the Advancement of Socio-Economics Annual Meeting (2021). Second version approved at the 16th Corporate Responsibility Research Conference (2021).

Source: Author.

The second chapter presents the paper "*Salience of Multiple Actors Involved in Formal and Informal Governance Systems Encouraging Corporate Social Responsibility in an Emerging Country"*, providing answers to the subjacent questions of regarding the emergence of different CSR patterns emerged in response to different institutional pressures and perceived business outcomes in emerging economies, and if different actors influence corporations to act in socially responsible ways in such countries. In this paper we employed a sample of 140 companies from five different industries that are related to the consumer sector. Companies were surveyed on their perception of how different actors pressured them towards a socially responsible way, which CSR practices they adopted, and what are the business outcomes of this adoption. Our results show that the companies operating in the Brazilian context adopt two distinct behaviors towards CSR. Active identifies business outcomes and actors that effectively exert an influence on their CSR practices, while passive companies consider institutional pressures to be of minor importance.

The third chapter presents the paper "*Social and Environmental Disclosure in Developed and Developing Countries: Exploring the Mirror versus Substitute Dichotomy"*, which provides answers to the questions regarding how institutional contexts of developing countries differ from that of developed countries, and how these differences affect the way companies disclose their CSR practices. We employed a sample of 86 companies from eight countries (Australia, Brazil, Canada, Germany, India, South Africa, South Korea and the United Kingdom), that operate in three industries (materials, oil and gas operations, and utilities). We show how institutional characteristics have different effects on social and environmental disclosure, depending on the context in which a company is operating. Developing countries (i.e. Brazil, India, and South Africa) do not fall in the LME-CME dichotomy, and the disclosure of environmental and social practices of their companies are not explained by the mirror or substitute view.

The fourth chapter presents the paper *"Understanding the Dynamics of Explicitization: The Effect of Varieties of Institutional System on Environmental Disclosure"* which addresses the process of explicitization of CSR practices through environmental disclosure, and how such process differs among different VIS. We use a sample of 97 companies from 4 countries that operate in three industries: agriculture and mining, utilities and refining, and foods, beverages and tobacco. The data collected ranges from 2011 to 2018, summing up to 776 firm-year observations.We consider that the process of explicitization varies among VIS and is motivated by different institutional characteristics. Finally, the fifth chapter will present the conclusions of the thesis with an overview of the theoretical and managerial contributions. Limitations and future research avenues are also presented, followed by the references.

2 SALIENCE OF MULTIPLE ACTORS INVOLVED IN FORMAL AND INFORMAL GOVERNANCE SYSTEMS ENCOURAGING CORPORATE SOCIAL RESPONSIBILITY IN AN EMERGING COUNTRY

ABSTRACT

This paper evaluates the influence of multiple actors in both formal and informal governance systems on corporate social responsibility (CSR) practices. Drawing on institutional theory, a quantitative survey was developed and conducted of a sample of 140 firms in the electronics, food, textiles, toys and personal care sectors in Brazil. We examine how institutional pressures and firm-level agency influence the emergence of different patterns of CSR. We distinguish two clusters of companies: active companies identify business outcomes and actors that effectively exert an influence on their CSR practices, while passive companies consider institutional pressures to be of minor importance. Our contribution relates, first, to institutional theory concerning the role of different actors in influencing the implementation of social and environmental practices; second, to the importance of collective coordination or its absence in shaping the specific characteristics of CSR; and third, to the agency of firms in responding to institutional pressures as being dependent on their perceptions of business outcomes. The theoretical insights drawn from this study should be applicable to similar countries, that is, to emerging but politically and economically unstable markets with marked social and economic inequalities.

Keywords: Corporate Social Responsibility; Emerging Countries; Institutional Theory; National Governance Dynamics.

2.1 Introduction

In recent decades, corporate social responsibility (CSR) has become an essential component of strategy and management. CSR is characterized by "actions that appear to further some social good, beyond the interests of the firm and that which is required by law" (MCWILLIAMS; SIEGEL, 2001, p. 117). Most research related to motivations to adopt CSR has been conducted in developed economies and has focused on companies' attempts to harvest financial benefits, improve their competitiveness (KIM et al., 2018) or gain legitimacy (BUHMANN et al., 2019; MATTEN; MOON, 2020). These reasons are not mutually exclusive.

Companies operating in developing countries, by contrast, are faced with social issues and a lack of basic infrastructure which do not exist in developed economies. In their cases, CSR is conceptualized as a complex contextual phenomenon which reveals distinctive features of orientation (LUND-THOMSEN; NADVI, 2010; MULLER; KOLK, 2009). In developing countries, CSR is commonly characterized as being less formalized and more philanthropic in nature (VISSER, 2008), and it may have only a limited interest in being embedded in local networks of stakeholders (JAMALI, 2010; JAIN et al., 2017). Additionally, CSR can manifest itself as a preoccupation with risk management and reputational gain (AGUINIS; CLAVAS, 2012) or be guided by local institutions and market contingencies, which leads companies to be well attuned to stakeholders' demands (YIN; JAMALI, 2016; ELG et al., 2015). Therefore, there is space for research on the different patterns of CSR among countries (BRAMMER et al., 2012).

A post-colonial narrative invites us to examine possible alternative explanations for the evolution of CSR in developing countries and to investigate the possibility of native and western CSR logics co-existing as competing logics (JAMMULAMADAKA, 2020). Although Gindis et al. (2020) recognized the emergence of convergence vectors, which comprise the political, legal, economic, and social forces that drive the international trajectories of governance systems, these isomorphic tendencies are not enough to lead to homogeneity, as national differences remain and are potentially strengthened. Expanding on this issue, Mazboudi et al. (2020) investigated differences in CSR policy adoption between Brazil and Sweden and suggested that national institutions influence the social agendas of firms in their efforts to gain legitimacy. For instance, to fill the institutional voids, Brazilian firms act in a more discretionary pattern of CSR and tend to exhibit higher levels of CSR than Swedish firms. As firms internationalize, there is a tendency for Swedish firms to expand their CSR policies, while the level of internationalization is not a significant factor for CSR policy adoption across Brazilian firms. Previous evidence supports that, depending on how business-government relations are maintained, the organizational response to institutional voids will vary from the socially responsible (AMAESHI et al., 2016) via the indifferent (DOH et al., 2017) to the irresponsible (HAMANN, 2019).

In a review of the existing literature on CSR in emerging marketing economies (EMEs), Boubakri et al. (2020) suggest relevant avenues for research into the determinants and outcomes of CSR. The authors propose to explore whether culture and informal institutions act as a substitute for weak and formal institutions as determinants of corporate strategies and decisions, including CSR. They also reinforce the need to understand which factor, whether firm-level or country-level, is the predominant driver of CSR. Regarding the corporate outcomes of CSR in EMEs, Boubakri et al. (2020) point out there are still questions about how companies in these weaker institutional environments should act, whether more or less responsibly, to maximize gains. It is certainly opportune to explore the role of local governance dynamics and multiple actors in exerting institutional pressures on CSR patterns (KHAN et al., 2020; YIN; JAMALI, 2016; ELG et al., 2015; FERRI, 2017). In addition, there is a need for further research to interpret the motivations and perceived business outcomes of CSR (JAMALI et al., 2020; SU et al., 2016; DÖGL; BEHNAM, 2015).

In this context, Brazil is particularly interesting as one of the world's largest economies, with its diversified industrial base and large amounts of foreign direct investment (FDIs). This can be contrasted with the changing institutional environment, which can be considered one of the leading causes of the persistence of the economic uncertainties and social instabilities that adversely affects both firms and society (ABREU et al., 2015; CRUZ; BOEHE, 2010; MAZBOUDI et al., 2020). In response to calls for a more integrated study of the significance of the multiple actors involved in both formal and informal governance systems, we focus on how companies rationalize isomorphic influences through the adoption of CSR practices in order to increase financial performance or acquire a reputation as socially responsible.

Given the above, our study is guided by the following research questions: (1) *Have different CSR patterns emerged in response to different institutional pressures and perceived business outcomes?* (2) *Which actors are able to influence corporations to act in socially responsible ways?* An empirical survey of the electronics, food, toys, textiles and personal care sectors operating in Brazil confirms the complexity of the governance system, which is populated by multiple actors with distinct interests and strategies, allowing firms to experiment with diverse formulations of CSR.

Our study contributes to the existing literature in three main ways. Firstly to institutional theory, that is, the role of distinct actors in influencing the implementation of social and environmental practices, and secondly, to assessing the importance of collective coordination or its absence in shaping the specific characteristics of CSR. In this regard, we analyze how firms respond to institutional pressures and identify two different clusters of CSR responses tied to the complexities of the governance system in Brazil, thus improving understanding of dynamic relationships between institutions, actors and firms. Thirdly, we identify the role of a firm-level agency in responding to institutional pressures as dependent on perceptions of business outcomes. We show that institutional influences and business outcomes are perceived in different ways by different types of firms. We thus contribute to understanding firm behavior in situations of institutional voids, which leads towards a lack of homogeneity in CSR patterns. These contributions are not just a novel analysis of the Brazilian context but are relevant to the determinants and consequences of CSR in EMEs more generally.

The next section uses concepts from institutional theory to understand CSR as a mode of governance and to develop our own hypotheses concerning the institutional pressures and business outcomes related to the adoption of CSR. We then present our methodology, developed and conducted with a sample of 140 firms operating in five different industrial sectors in Brazil. We continue with a description of the results and insights into the role of the institutional environment and the intensity of business outcomes in shaping patterns of CSR. Finally, we discuss the implications of our findings for institutional theory and for improving our understanding of CSR in emerging markets.

2.2 Theoretical Perspectives and Development of Hypotheses

2.2.1 Understanding CSR as a mode of governance

Institutional theory has been central to investigating CSR in broader governance systems involving the market, the state and historically developed socio-political institutions (JAMALI; KARAM, 2018). Governance systems focus on an ‘entire network of formal and informal relations which determines how control is exercised within corporations and how the risks and returns are distributed between various stakeholders’ (LANE, 2003, p. 82).

Structuring economic activities is assumed to be a relatively stable and enduring pattern of business practices (WHITLEY, 1999). Therefore, we would expect CSR practices to reflect locally established patterns of economic organization and competition, as they are structured by specific sets of social arrangements.

Institutions have coercive, normative and cultural-cognitive aspects, which, together with associated activities and resources, provide stability and meaning to social life (Scott, 2008). Institutions beyond the market are often necessary in order to ensure that corporations address the interests of social actors other than themselves (CAMPBELL, 2007). Institutional pressures and isomorphic influences shape organizational fields and drive firms to respond with similar strategies, including CSR practices. Organizational fields, which correspond to a ‘recognized area of social life’, comprise ‘key suppliers, resource and product consumers, regulatory agencies, and other organizations that produce similar services or products’ (DiMaggio and Powell, 1983: 148). Isomorphism is more likely to occur when firms are monitored by strong state regulation, collective industrial self-regulation, NGOs and other actors, as they engage in dialogue and exert pressure on firms (CAMPBELL, 2007). Firms also mimic what successful peers do to achieve legitimacy (DIMAGGIO; POWELL, 1991; MARGOLIS; WALSH, 2003; ZEYEN et al., 2016).

CSR practices can be understood as either a “substitute” for or a “mirror” of country-level governance systems. The “substitute” hypothesis argues that greater engagement in CSR is triggered by less robust national institutions in order to fill gaps in governance. The “explicit” forms of CSR proposed by Matten and Moon (2008) are aligned to the substitute hypothesis, in which CSR is adopted as a substitute for institutional arrangements. That is, the “substitute” hypothesis perceives firms’ social responsibility mainly as a functional substitute for existing institutions and their deficiencies (KOOS, 2012). On the other hand, the "mirror" hypothesis holds that CSR reflects the institutional framework (KOOS, 2012), being a function of a country’s quality of governance (BARKEMEYER et al., 2019) and providing institutional pressures for business commitments to social responsibility. Government, as well as organized self-regulation and normative frames resulting from institutionalized dialogue, increase the likelihood of CSR being adopted (CAMPBELL, 2007). However, a weakened formal and informal governance system may result in firms performing only the bare minimum of CSR actions.

2.2.1.1 Coercive pressures from government

The essential feature of any political system is the extent to which the state dominates the economy and shares risks such that business becomes dependent on state policies and actions (WHITLEY, 1999). Governments possess coercive power to regulate the behavior of societal actors, including those at the organizational level. For instance, in Germany and the USA, regulatory and market stakeholders are significant for the implementation of corporate environmental responsibility (CER). However, in emerging countries, such as China and India, the focus of market stakeholders and regulators is mainly on economic growth, without being significant to the implementation of CER activities (DÖGL; BEHNAM, 2015).

High levels of government ownership in countries with poor governance could lead to ineffective CSR practices (NTIM; SOOBAROYEN, 2013). In environments with high levels of corruption, firms are more likely to engage in unethical practices (e.g., child labor, bribery) to reduce their costs or increase their market share (IOANNOU; SERAFEIM, 2012). When the national state apparatus fails due to weak enforcement capacity or corruption, economic forces are set free without appropriate controls in legal or moral terms (SCHERER, 2017; BANERJEE; 2018). In Brazil, politicians and, consequently, the government have historically been perceived as highly corrupt (FERRAZ; FINAN, 2008) and as lacking in the systematic detection and punishment of malfeasance (AVIS et al., 2018). We expect coercive pressures from the Brazilian government to have a different impact on firms compared to their peers in less corrupt environments. Given these arguments, the following hypothesis is proposed:

H_1: There is a negative association between the perception of pressure from the government and the extension of CSR practices.

2.2.1.2 Normative pressures from labor unions and financiers

The trade union movement and the financial sector are important collective actors in developing normative orientations for industry. Decisions relating to labor-management strategies are all contingent on the strength of unions, which can directly control the skills and capabilities in the economy (WHITLEY, 2007). Although the power of trade unions is a key factor affecting corporate social performance, particularly at the national level (IOANNOU; SERAFEIM, 2012), powerful labor unions occasionally cripple firms by forcing them to pay higher wages than the market would otherwise command (HARRISON et al., 2010). However, union representatives in the apparel supply chain are reluctant to lend legitimacy to CSR as they are skeptical of relying on government regulations and corporate good will to provide for their fundamental rights, such as freedom of association, being more trustful of their own activism (ANNER, 2012). Despite that, the role played by labor unions in CSR is an underdeveloped area of study (HARVEY ET AL., 2017).

A critical circumstance concerning employees that distinguishes developing from developed economies is the former’s fragile labor markets and a relative inability to represent their interests (KUMAR, 2019). For instance, regional complexities of the garment commodity chain in India arising from production’s local historical legacies reproduce labor outcomes, creating barriers that CSR norms cannot overcome (MEZZADRI, 2014). In countries with prominent labor unions, firms tend to perform better on CSR practices, since powerful unions can push for benefits for employees, focusing on health and safety provisions, progressive labor-relations policies and more workplace amenities (KRISTENSEN; ROCHA, 2012). During the period of our research, the labor movement was an influential participant in the Brazilian government, which made it prominent on the national political scene, and it has broadly supported social and labor clauses regionally (RIETHOF, 2017). Given these arguments, the following hypothesis is proposed:

H_2: There is a positive association between the perception of pressure from labor unions and the extension of CSR practices.

Investors are likely to present different sorts of identities and interests in respect to how their relations with companies are defined (e.g., financial, strategic, short-term, long-term); consequently, their normative orientations may directly affect companies. A critical feature that differentiates these financial systems is how capital is made available and is priced (WHITLEY, 1999). Corporations strive to secure the most favorable financing terms in market-based financial systems with well-developed equity markets (IOANNOU; SERAFEIM, 2012, P. 841). The normative institutions among finance providers are likely to become essential drivers to support or avoid CSR practices. On the one hand, when the agency cost logic prevails among financiers, it is likely to have a negative impact on socially responsible practices. On the other hand, under the emerging stakeholder institutional logic, better social and environmental practices facilitate acquiring loans in the financial market (IOANNOU; SERAFEIM, 2015).

Investors penalize firms that do not comply with the UN Global Compact communication on progress (UNGC's COP) (AMER, 2018). CSR can provide short term benefits, such as associated financial returns which are likely to surpass conventional investments due to first-mover advantages, product differentiation and competitive edge, but benefits such as reputation-building usually materialize in the long term (FLAMMER, 2013). The impact of corporate governance on proactive stakeholder relationship management is more pronounced when its actual gains are lower than its aspired (low slack/negative attainment discrepancy conditions), while violation of regulations and standards is more pronounced under high slack/positive attainment discrepancy conditions (ARORA; DHARWADKAR, 2011).

Since the 1990s, Brazil has undergone structural changes to develop its financial system (CRISÓSTOMO; BRANDÃO, 2019), changes which had a growing influence on the quality of governance mechanisms. The financial sector is more inclined to undertake social action than other economic sectors in the country (CRISÓSTOMO et al., 2010). For instance, CSR actions adopted by the Bank of Brazil generate positive brand recognition, influencing other major banks operating in the country (e.g., Bradesco, Santander, Itaú) to incorporate CSR practices into their advertising campaigns (SCHARF; FERNANDES; KORMANN, 2012). Therefore, the following hypothesis is proposed:

H_3: There is a positive association between the perception of pressure from financiers and the extension of CSR practices.

2.2.1.3 Cognitive pressures from the media, NGOs, consumers and competitors

In countries where people are more predisposed to be participatory, philanthropic, skeptical of Government and confident in the "moral value of capitalism", there is a greater predisposition for businesses to behave in a more socially responsible manner (MATTEN; MOON, 2020). The media, NGOs and consumers are important actors evaluating firm's strategies and actions. Media exposure not only increases the stock of available information, it also fixes the context within which the company is viewed (BRAMMER; PAVELIN, 2006). Similarly, media influence companies to act in an environmentally responsible manner (RINDOVA et al., 2006) and legitimize corporate actions (VAARA; TIENARI, 2011). However, business-oriented infomediaries construct the meaning of CSR so as to reflect their interests and may seek to gain legitimacy for local companies "by addressing businesses' social and environmental responsibilities while not necessarily promoting practices that are costly or inconvenient for the national industries" (FRIG et al., 2018, p. 349).

It is necessary to contextualize the role played by local media in driving CSR in emerging economies. For example, CSR is quite significant in the Asia-Pacific region but that it is mainly driven by multinationals in the West rather than local SMEs, because corporations react to the demands of Western consumer movements (TSOI, 2010). In the case of Brazil, traditional media and the new social media are recognized as playing a mediating role in the relationship between business and society, as well as being a space for discursive struggles over legitimacy (BARROS, 2014). This is one of the pillars of a functioning democracy, but it also has the ability to conspire against the social order (DE ALBUQUERQUE, 2019). Thus, the following hypothesis is proposed:

H_4: There is a positive association between the perception of pressure from the media and the extension of CSR practices.

In recent decades, NGOs have emerged as important collective actors all over the world, and their influence on cognitive institutions should not be underestimated. The notion of corporate accountability is associated with international NGO alliances and community-based organizations that demand stricter regulation of corporate behavior by national governments and the enactment of international corporate accountability to prevent corporate misconduct (BONDY et al., 2012; ARENAS et al., 2009). NGOs might be inclined to begin campaigning against firms they judge to be hypocritical (WICKERT et al., 2016).

In Brazil, environmental and human rights norms have begun to creep into the core businesses of many companies (RAUFFLE; AMARAL, 2007), particularly multinationals with a brand name to protect, as acquiring a bad reputation might lead to consumer boycotts or negative NGO-led campaigns (RUEDA et al., 2017). Thus, NGOs have emerged as important collective actors (ANHOLON et al., 2016) and coordinators of local multi-stakeholder dialogue projects (HOELSCHER; RUSTAD, 2019). Therefore, the following hypothesis is proposed:

H_5: There is a positive association between the perception of pressure from NGOs and the extension of CSR practices.

Customers today demand products and services with socially responsible attributes and may base their choices on socio-political judgments, thus influencing companies (ZERBINI, 2017; ROTHENHOEFER; 2019). Consumers value CSR activities aimed at them, as they relate it to their values and lifestyles. As such, companies should learn about their customers to increase their capability and effectiveness when establishing customized CSR activities (LEE et al., 2012). By linking CSR activities with increased customer value or the development of new sources of customer value, companies gain a competitive advantage. This requires managers to understand how CSR activities can affect their customers' overall perceptions of value regarding the firm (PELOZA; SHAN, 2011).

Consumer-oriented CSR may also involve intangible attributes, such as a reputation for quality or reliability. Regression models confirm that "consumers" have a significant effect on CSR behavior (PARK; GHAURI, 2015), and in the case of MNE subsidiaries, local consumers have more influence than local communities. In the BRICS countries, transparent CSR communication has a positive effect on consumer loyalty (CONTINI et al., 2020). Brazilian consumers have realized their capacity to play an active role in shaping a desirable future through responsible purchasing behavior. Given these arguments, the following hypothesis is proposed:

H_6: There is a positive association between the perception of pressure from consumers and the extension of CSR practices.

Firms actually act in more socially responsible ways to enhance their competitive advantages when market competitiveness is extremely intense (CHIH et al. 2010). As such, firms could be the entities that lead the engagement that takes stakeholders out of complacency by catalyzing collaborative relationships to co-create sustainable value that is shared with stakeholders (ABREU; BARLOW, 2013), thus creating sources of isomorphism. Therefore, competitors that are environmentally and socially responsible market leaders may exert mimetic influences on other companies to implement CSR practices (DÖGL; BEHNAM, 2015; HELMIG et al., 2016).

When the environment creates uncertainty, as it usually happens in emerging markets, organizations are likely to model themselves after their peers that are perceived to be legitimate and successful (DIMAGGIO; POWELL, 1991). Competitors are strong enforcers of ethical acts for MNE subsidiaries in their host economies (WEHLING et al., 2009), driving the development of CSR to create sustainable competitive advantages (CRUZ; BOEHE, 2010). In Brazil, companies seek CSR for being a source of competitive advantage, which increases the visibility of activities that positively impact their reputations (BATISTA et al., 2017). Thus, we formulate the following hypothesis:

H_7: There is a positive association between the perception of pressure from competitors and the extension of CSR practices.

2.2.2 Business outcomes of CSR activities

In markets characterized by intense competitiveness, companies are more likely to act in socially responsible ways to gain competitive advantages through corporate reputation and legitimacy (MATTEN; MOON, 2020). In this context, a firm-level agency is the ability to make choices and purposely pursue its interests to cause some effect on the social system, creating and altering its rules or resource distribution (SCOTT, 2001; BATTILANA, 2006). Firms may find new opportunities for engaging in externally legitimate CSR initiatives aligned with their own corporate, financial and customer strategies (TAYLOR et al., 2017). Accordingly, companies may invest in CSR practices as a differentiation strategy to improve their reputations (AGGARWAL; ARUNA, 2019). Empirical studies of large US and UK firms identified reputation as one of the important consequences of adopting CSR practices (BRAMMER; PAVELIN, 2006).

Contrary to what is often called the "stickiness of reputation", a longitudinal study of 285 large US firms conceptualizes reputation as a dynamic construct in which the change in CSR predicts a change in corporate reputation, varying by type of industry, being most pronounced for manufacturing (SIRSLY; LVINA, 2019). Thus, CSR has become an important public relations strategy to attract consumers. On the other hand, for consumers, CSR has become a tool to identify reputable companies to develop relationships with (AKSAK et al., 2016). In the case of Brazil, investments in CSR and their later communication are effective strategies for strengthening corporate brands (SCHARF et al., 2012). We therefore hypothesize the following:

H_8: The implementation of CSR practices is positively associated with acquiring a socially responsible reputation.

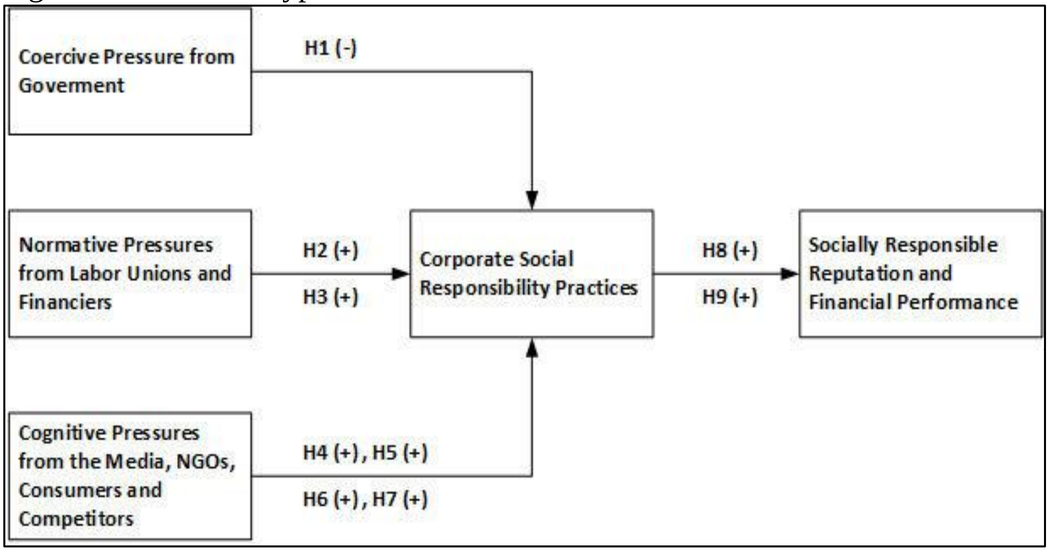
CSR activities need financial resources, and the question whether such spending improves financial performance (FP) has intrigued researchers for many decades now. This not only refers to the correlation between CSR and FP, it also encompasses other aspects of the relationship, such as the component of CSR that relates to FP and the mechanism through which CSR affects FP (PARK, 2017). A large amount of anecdotal evidence suggests there are different relationships between the two, for instance, out of 128 studies reviewed, 59% of found positive, 27% mixed or neutral and 14% negative relationships (PELOZA, 2009). A meta-analysis of 52 studies found such positive impacts (ORLITZKY et al., 2003). Moreover, a review of 127 empirical studies concluded that there is a mainly positive association between CSR and financial performance (MARGOLIS; WALSH, 2003).

A sample of large South African-listed corporations provided evidence that a combination of CSR practices and corporate governance has a more positive effect on corporate financial performance (CFP) than CSR alone (NTIM; SOOBAROYEN, 2013). It seems that CSR can help differentiate a firm from its competitors by building up its reputation and giving it the support of diverse stakeholders, thus improving its financial performance (KIM et al, 2018; DAL MASO et al., 2018). Companies belonging to the Brazilian Corporate Sustainability Index (BCSI) seem to obtain financial benefits due to their commitment to CSR principles and to high levels of transparency about corporate governance issues (ORTAS et al., 2012). In order to address this line of research, we hypothesize the following:

H_9: The implementation of CSR practices is positively associated with improved financial performance

Figure 1 illustrates the salience of multiple actors involved in formal and informal governance systems encouraging CSR and their effect on reputation and financial performance. Our study test the influence of coercive pressures from government (H_1-), normative pressures from labor unions (H_2+) and financiers (H_3+) and cognitive pressures from the media (H_4+), NGOs (H_5+), consumers (H_6+) and competitors (H_7+) and the extension of CSR practices. Lastly, we test the positive association between the implementation of CSR practices with acquiring business outcomes (H_8+ and H_9+).

Figure 1 – Research hypotheses



Source: Authors.

2.3 Methodology

2.3.1 Understanding the Brazilian economic period and selecting the data sample

At the time of our survey, the Brazilian economy was enjoying the impact of some robust macroeconomic trends. In 2013 unemployment was low and approximately 50 million people had joined the middle class and had a pent-up urge to consume. Sales in shopping malls had grown by an average of more than 8% per year in the past four years, while mature malls continued to exhibit low vacancy rates. Brazil's unemployment rate was a record low of 6.2%, the growth rate was 2.2% and per capita income reached $11,912 (TRADING ECONOMIC, 2017).

We chose our research context to cover five industries: electronics, food, toys, textiles and personal care. These sectors were chosen due to their relevance to the Brazilian economy, accounting in 2013 for 9% of Brazil's GDP and employing over a million people, thus making it a proper field to conduct our research. We therefore studied CSR practices during the best period in Brazil's recent economic history. During economic downturns, stakeholder pressures on firms to implement CSR practices are likely to fall, and financial returns may take priority over social and environmental concerns.

Questionnaires were sent directly to 246 senior managers, one from each company, and were collected between May and July 2013. The managers were first requested to participate in the research by telephone, then the survey link was sent to them by email. The survey resulted in 140 fully answered forms, a return rate of 57%. The data were examined for missing values and outliers, of which no cases were found. Data was collected from company general managers because they are more knowledgeable about the organization as a whole and usually play a crucial role in designing CSR strategies.

2.3.2 Developing the survey protocol

A pilot study was undertaken in order to more directly focus the questions on the research’s objectives. The final questionnaire was divided into three parts. The first evaluated the extent to which CSR practices were implemented by the company on a Likert scale between "fully implemented" (marked as 5) and "not implemented" (marked as 1). These answers took the form of self-evaluations by the companies. Respondents were asked to rate practices related to training in ethical values, efforts to counter discrimination, internal communications, values and rules of conduct, and health and safety programs. There were also questions related to external CSR communications, advertising, labeling and disclosure, along with community engagement in social projects. We also included questions related to eco-efficiency, pollution prevention and environmental management practices. These CSR practices were in accordance with the framework established by Welford (2004, 2005) and Kim and Choi (2013).

The second part of the survey covered the business outcomes of implementing CSR. We asked respondents to what extent their organization's financial performance and reputations for social responsibility were influenced by CSR practices. We use a Likert scale from 1 “completely disagree” to 5 “to completely agree”. In accordance with Dögl and Behnam (2015), we chose perceptual instead of objective measures of financial performance because they are less likely to be influenced by confidentiality issues.

The third part addresses the pressure perceived from actors. Thus, we chose to evaluate the pressures exerted on firms by government, labor unions, financiers, the media, NGOs, consumers and competitors to develop CSR practices. Five-point Likert questions were defined to measure the intensity of the pressure perceived by companies for each actor using a scale from 1 "very weak pressure perceived" to 5 "very strong pressure perceived."

At the end of the questionnaire, we included control variables because CSR practices and business outcomes may be influenced by company-level variables. Respondents were requested to indicate the number of employees, the industrial sector, period of operation in Brazil and ownership (local or foreign). To avoid common method bias, we separated the items measuring independent and dependent variables in the questionnaire. We assured all respondents that their answers would be treated confidentially and used measures that had been found to be valid and reliable in previous research (DÖGL; BEHNAM, 2015).

2.3.3 Analyzing the Data

Empirical methods included a cluster analysis, means tests and multiple regression models. In a preliminary analysis, we applied a sample cluster analysis using a k-means approach to determine whether similar firms could be grouped by CSR practices. In order to decide the number of clusters in the analysis, we used the gap statistic (TIBISHANI et al., 2001). Mean tests (t-test) were undertaken to identify differences in CSR practices and actor pressure perceived by a cluster of companies.

We developed two econometric models, labeled “a” and “b”. In both models, the CSR variable was calculated for each company using the average of CSR practices. The econometric “model a” explores the CSR responses and captures the complex iterative influences of actors. The independent variables are the pressures perceived by companies from each actor, e.g., Government (Gov), Financiers (Fin), Labor Union (LabUni), Media (Med), Non-Government Organizations (NGO), Consumers (Cons) and Competitors (Comp). First, we ran regressions to assess the influence of each actor separately. Then, we ran the full regression “model a”, taking into account the influence of all actors simultaneously on CSR practices. This step in the analysis allowed us to assess whether the companies in each cluster perceive coercive, normative or cognitive institutional pressures influencing CSR practices in a similar or different fashion.

$$CSR = \beta_0 + \beta_1 Gov + \beta_2 LabUni + \beta_3 Fin + \beta_4 Med + \beta_5 NGO + \beta_6 Cons + \beta_7 Comp + \beta_8 Size + \beta_9 Owner + \beta_{10} Time + \mu_i \text{ (Model A)}$$

Econometric “model b” was developed to explore the relationship between CSR practices and business outcomes (OUT). The dependent variables measure the benefits, including socially responsible reputation and financial performance, that are perceived by each company. Similarly, in “model b” we ran regressions to assess whether the companies in each cluster perceive CSR outcomes in a similar or different fashion, contributing to explaining their behavior in relation to CSR practices. In both models, the control variables were based on number of employees (Size), period of operation in Brazil (Time) and a dichotomous variable to represent ownership (Owner) which takes a value of zero to indicate "local ownership" and a value of one to indicate "foreign ownership".

$$OUT = \beta_0 + \beta_1 CSR + \beta_2 Size + \beta_3 Owner + \beta_4 Time + \mu_i \text{ (model b)}$$

G*Power 3.1.9.2 was used to achieve the power of t-Tests in a post-hoc analysis and to compute the minimum sample size required to run the multiple regressions. The statistical power ($1 - \beta$) of t-Tests was computed as a function of the significance level (α= 0.05), while sample sizes (N1=74, N2=66) and effect size were calculated for each t-Test, taking into account their parameters (d variated between 0.38 and 1.91). The tests achieved values superior to 0.98 in all cases, except for the t-Test run for the Government, which showed a power of 0.70. To achieve a power level of 0.95 model (a), which has 10 predictor variables, a sample size of 55 was required; for model (b), which has 4 predictor variables and higher R^2, the minimum sample size required was 30. Both measures indicated a reasonable sample size to run the t-tests and the multiple regression models (COHEN, 1977, p. 412).

The assumptions of the multiple linear regression were tested for each case. For the residuals, normality was tested through Shapiro-Wilk, Breusch-Pagan for homoscedasticity and Durbin-Watson for serial correlation. All p-values in these tests were at least 0.01, which indicates that no problems were found. Additionally, multicollinearity was checked using variance inflation factors (VIF) for the independent variables in models (a) and (b), which also showed no problems, as the values were all below 5 (the maximum VIF was 2.61). The data analysis was performed using R 4.0.2.

2.4 Results

2.4.1 Identification and description of the different clusters of companies.

The survey covered 140 companies separated into two clusters by a k-means cluster analysis based on the companies' CSR practices. The first cluster contained 74 companies, the second 66. In Table 1, we describe the clusters based on firms' characteristics. Most of the companies in cluster 1 have more than 6,000 employees, while most of those in cluster 2 have between 101 and 500 employees. In both clusters, the companies are nearly equally divided between the electronics, food, toys and personal care sectors. However, participation of textile companies in cluster 1 is limited. For companies in cluster 2, there is limited participation by electronic companies, participation by food and textile companies predominating. Whereas the majority of foreign companies were in cluster 1, local ownership predominated in cluster 2.

Table 2 – Characteristics of cluster of companies

Characteristic	Description	Cluster 1 Number	%	Cluster 2 Number	%	Total of Companies
Number of employees	Less than 100	2	25	6	75	8
	Between 101 and 500	16	44	20	56	36
	Between 501 and 1,000	9	39	14	61	23
	Between 1,000 and 5,000	21	58	15	42	36
	More than 5, 000	26	70	11	30	37
Industrial sector	Textiles	6	32	13	68	19
	Electronics	20	77	6	23	26
	Health, Hygiene and Beauty	19	59	13	41	32
	Toys	18	56	14	44	32
	Food	11	35	20	65	31
Ownership	Foreign	32	70	14	30	46
	Local	42	45	52	55	94
Operation time	Average years in Brazil	3.94		2.90		-
	Total of companies	74	53	66	47	140

Source: Survey data.

In Table 3, we present the mean differences in each CSR practice between clusters 1 and 2. The t-test shows significant differences in the mean number of all practices adopted among the firms in our sample. The clusters followed a similar pattern to define the relevance of CSR practices since both groups of firms exhibited a greater concern for product and service quality-assurance programs. Both clusters were also concerned with human resources policies related to nondiscrimination in the workplace, while firms in cluster 2 were found to be more concerned with guaranteeing health and safety programs in the workplace. In general, firms in cluster 1 also show a greater concern with the natural environment. The differences are significant in establishing solid waste, pollution-prevention programs and greenhouse gas emission controls. For firms in cluster 2, the main operational controls involve water consumption and energy use, both significant production cost items.

Table 3 – CSR practices adopted by clusters of companies

Corporate Social Responsibility Practices	Clusters		t Test
	1	2	
Product and service quality-assurance program	4.649	3.879	6.620***
Human resources policies related to nondiscrimination in the workplace	4.568	3.652	7.399***
Health and safety programs in the workplace	4.527	3.803	6.462***
On-time payment of suppliers	4.514	3.773	6.715***
Implementation of solid waste-management programs	4.500	2.864	12.010***
Policies related to health care and employee benefits	4.473	3.515	7.637***
Resolution of complaints by customers	4.405	3.348	7.469***
Policy related to transparency in contracts, negotiations and advertising	4.392	3.576	6.597***
Implementation of energy conservation programs	4.338	3.439	6.779***
Availability of information on products and services, including post-sale obligations	4.324	3.515	5.740***
Incentives for career-planning and employee development	4.257	3.530	6.167***
Implementation of water-conservation programs	4.324	3.364	7.351***
Implementation of pollution-prevention programs	4.297	2.439	12.244***
Presentation of CSR as part of the company's core values	4.270	2.682	11.287***
Implementation of air emissions control program	4.243	2.379	11.429***
Definition of values and ethical rules that address CSR	4.216	2.636	10.613***
Disclosure of sustainability reporting	4.176	2.379	13.131***
Cooperation and partnership with other businesses and institutions related to CSR	4.149	2.348	12.304***
Disclosure of environmental impacts related to products and services	4.135	2.364	13.313***
Implementation of greenhouse gas emission control programs	4.108	2.197	11.655***
Provides job opportunities for the local community	3.973	2.561	9.932***
Financial support for local community projects	3.865	2.106	11.429***
Safety guarantee program of local community	3.878	2.227	10.841***
Adoption of a dialogue and open channel with local community	3.851	2.258	10.351***
Encourage voluntary activities by employees	3.730	2.015	10.734***

Source: Survey data.
Note: *** indicates statistical significance of 1%.

Activities to strengthen relationships with local communities were scored lowest by both clusters. In cluster 1, firms gave more priority to encourage voluntary activities, adopting dialogue and opening channels for communities, supporting financial and social projects and guaranteeing a safe environment. In cluster 2, the results suggest that companies operate without being well attuned to stakeholders' demands, which staggers the innovations of its CSR practices. Table 2 suggests that companies in cluster 1 have deliberate strategies to strengthen their relationships with more actors than companies in cluster 2, which are mainly involved with consumers, employees and suppliers.

In respect of the pressures perceived by actors, both clusters give equal importance to the media as the more influential actor, as observed in Table 4. With regard to the perceived pressures from labor unions, there are no significant differences between the two clusters. In cluster 1, financiers and competitors were perceived as exerting a great deal of pressure to develop CSR practices, but government, NGO and labor unions only had low pressure.

However, in cluster 2, government and labor unions were perceived as exerting intense pressure, while financiers were identified as exerting the lowest pressure. In general, firms in cluster 1 identify more business outcomes than firms in cluster 2. Despite the fact that the mean difference between the two clusters is significant for financial performance and socially responsible reputation, the t-test indicates that the mean difference is higher for financial performance.

Table 4 – Pressure perceived from actors in each cluster of companies

Variables	Elements	Cluster 1 (N=74)		Cluster 2 (N=66)		t Test
		Mean	s.d.	Mean	s.d.	
Business outcomes	Social responsible reputation	4.162	0.741	2.606	0.926	10.892^{***}
	Financial performance	4.122	0.810	2.318	0.807	13.177^{***}
Pressure perceived by actors	Media	4.054	0.809	3.288	1.078	4.711^{***}
	Financiers	3.905	1.062	2.712	1.092	4.052^{***}
	Competitors	3.838	0.951	2.818	0.893	6.540^{***}
	Customers	3.811	1.155	2.818	0.959	5.552^{***}
	Government	3.662	0.880	3.273	1.131	2.255^{**}
	NGOs	3.392	0.873	2.727	1.001	4.164^{***}
	Labor unions	3.284	0.973	3.258	0.997	0.157

Source: Survey data.
Note: ** and *** indicate statistical significance of 5% and 1% respectively.

2.4.2 Regression models to assess the influence of institutional pressure by actors

The multiple regression model was chosen to control the collinearity effects between the independent variables. Tables 5 and 6 show the multiple regression models used to assess the influence of the institutional pressure perceived by each actor on CSR practices, as well as when all actors were investigated collectively. In general, companies in cluster 1 perceived more pressure from actors regarding CSR practices than companies in cluster 2. In the case of cluster 1 (see Table 5), analyzing the influence of each actor separately (i.e., models 1a-7a) on CSR practices, only "government" was not perceived as a significant actor. However, when testing the influence perceived by all actors, in model 8a, governments exerted a significant negative influence on CSR practices. In this model, financiers, NGOs and consumers appear to exert a positive and significant influence on CSR practices. The generalization power of model 8a is 61%.

Table 5 – Actors' influence on CSR Practices for Cluster 1

	CSR Practices							
	Model 1a	Model 2a	Model 3a	Model 4a	Model 5a	Model 6a	Model 7a	Model 8a
Constant	3.371***	3.066***	2.629***	2.836***	2.917***	2.814***	2.791***	2.309***
Company size	**0.111*** **	**0.101*** **	**0.104*** **	**0.085*** **	**0.097*** **	**0.081*** **	**0.092*** **	**0.079*** **
Foreign ownership	0.037	0.090	0.070	0.024	0.019	0.041	-0.007	0.048
Operation time	0.000	-0.000	0.000	0.000	0.000	0.000	0.000	0.001
Government	-0.013							**-0.136** **
Labor unions		**0.098** **						0.013
Financiers			**0.212*** **					**0.128** **
Media				**0.176*** **				0.080
NGOs					**0.153*** **			**0.098* **
Customers						**0.194*** **		**0.108** **
Competitors							**0.181*** **	0.027
F Test	6.88***	21.91***	13.58***	9.83***	9.79***	11.93***	17.25***	9.99***
R^2	0.285	0.560	0.441	0.363	0.362	0.409	0.500	0.613
Adj-R^2	0.244	0.534	0.408	0.326	0.325	0.375	0.471	0.552

Source: Survey data.
Note: *, ** and *** indicate statistical significance of 10%, 5% and 1% respectively.

The results show that size is a significant control variable in all models (Table 4). Finally, "foreign ownership" and "period of operation in Brazil" do not exert significant influences on these companies. We stress that, for these multiple regressions, the residuals are normal (Shapiro-Wilk test's p-values were at least 0.01), homoscedastic (Breush-Pagan test's p-values were at least 0.11) and independent (Durbin-Watson test's p-values were at least 0.14). Multicollinearity was assessed through VIF, whose values were between 1.04 and 2.59 and thus revealed no problems.

With regard to cluster 2, only financiers and NGOs were perceived as exerting a significant and positive influence on CSR practices, as shown in Table 5. However, when analyzing all actors together in model 8a', none of them were perceived as exerting a significant influence. Size exerts a positive and significant effect in models 1a', 2a', 5a', 6a' and 7a' which involves the government, labor unions, NGOs, customers, and competitors respectively. Period of operation in Brazil appears to affect most models positively and significantly, except models 5a' and 6a', and foreign ownership do not exert significant influences on these companies. The explanatory power of the test (R^2) resulted in 33% for model 8a', representing all perceived pressures from actors. For the generalization (Adj. R^2), the value of 21% is not a strong representative.

Table 6 – Actors' influence on CSR practices for Cluster 2

	CSR Practices							
	Model 1b	Model 2b	Model 3b	Model 4b	Model 5b	Model 6b	Model 7b	Model 8b
Constant	2.074***	2.115***	2.055***	2.096***	2.006***	1.999***	2.145***	1.952***
Company size	0.066*	0.069**	0.054	0.057	0.059*	0.067**	0.069**	0.047
Foreign ownership	0.006	-0.014	0.020	-0.003	-0.076	0.033	-0.019	-0.020
Operation time	0.003*	0.092*	0.004*	0.004*	0.003*	0.003	0.004*	0.003
Government	0.064							0.056
Labor unions		0.020						-0.103
Financiers			0.110**					0.080
Media				0.076				0.032
NGOs					0.126**			0.107
Consumers						0.099		0.065
Competitors							0.043	-0.055
F Test	4.276***	3.74***	5.062***	4.367***	5.28***	3.831***	4.727***	2.71***
R^2	0.222	0.200	0.252	0.225	0.260	0.203	0.240	0.334
Adj-R^2	0.170	0.146	0.202	0.174	0.211	0.150	0.189	0.211

Source: Survey data.
Note: *, ** and *** indicate statistical significance of 10%, 5% and 1% respectively.

We stress that, for these multiple regressions, the residuals are normal (Shapiro-Wilk test's p-values were at least 0.27), homoscedastic (Breush-Pagan test's p-values were at least 0.03) and independent (Durbin-Watson test's p-values were at least 0.36). Multicollinearity was assessed through VIF, whose values were between 1.25 and 3.09 and thus revealed no problems.

2.4.3 Econometric model to identify the influence of CSR on business outcomes

We conducted a regression model to explain how CSR practices affect the companies' business outcomes (Table 7). In cluster 1, the coefficient of CSR practices is slightly higher for financial performance than social reputation, while the opposite is the case in cluster 2, with the coefficient of CSR practices for financial performance being considerably lower. Table 6 suggests that firms in cluster 1 perceive better financial performance due to their CSR practices when compared to social reputation, which may justify their more proactive behavior towards CSR practices. On the other hand, firms in cluster 2 perceived a lower financial performance compared to the social reputation outcomes from CSR practices.

Foreign ownership is highlighted, being significant at a 0.05 for model 1b and a 0.10 for model 2b. These results indicate that foreign companies perceive more financial performance as an outcome from their CSR practices than local companies. In both clusters, foreign companies are more motivated by financial performance outcomes than domestic companies, and this relationship is stronger for companies in Cluster 1. Despite the fact that foreign and local companies belong to the same cluster, their motivations to adopt CSR practices tend to differ. The other variables, company size and operation time in Brazil, were not significant.

Table 7 – CSR outcomes explained by CSR practices for each cluster

	Cluster 1		Cluster 2	
	Financial Performance	Social Responsible Reputation	Financial Performance	Social Responsible Reputation
Constant	-1.319**	-0.802	-0.581	-1.097*
CSR practices	1.288***	1.171***	0.988***	1.263***
Company´s size	-0.028	-0.013	0.006	0.010
Foreign ownership	0.300**	0.111	0.398*	0.161
Operation time	0.002	0.001	-0.002	-0.001
F Test	24.770***	20.860***	8.788***	10.520***
R^2	0.590	0.547	0.369	0.412
Adj-R^2	0.566	0.521	0.327	0.373

Source: Survey data.
Note: *, ** and *** indicate statistical significance of 10%, 5% and 1% respectively.

Table 8 shows the relationship between the results of the econometric analyses and the assumptions made in the hypotheses. The negative association between the perception of pressure from government (H1) and the extensions of CSR practices was not supported in both clusters. In the case of cluster 1, when analysing other actors' pressure perceived by companies, H2 to H7 were supported while in the case cluster 2, our results only supported H3 and H5. Both clusters corroborate H8 and H9, in which companies showed significant positive influences on social responsible reputation and financial performance.

Table 8 – Hypotheses and research findings

Hypothesis		Relationship	Result	Cluster	Supported
H1	GOV→CSR	-	Negative association between pressure from Government and CSR practices	1	NO
				2	NO
H2	LAB →CSR	+	Positive association between pressure from Labor Union and CSR practices	1	YES
				2	NO
H3	FIN→CSR	+	Positive association between pressure from Financiers and CSR practices	1	YES
				2	YES
H4	MED → CSR	+	Positive association between pressure from the Media and CSR practices	1	YES
				2	NO
H5	NGO→ CSR	+	positive association between pressure from NGOs and CSR practices	1	YES
				2	YES
H6	CONS→ CSR	+	Positive association between pressure from Consumers and CSR practices	1	YES
				2	NO
H7	COMP→CSR	+	Positive association between pressure from Competitors and CSR practices	1	YES
				2	NO
H8	CSR →CFP	+	Positive association between CSR practices and financial performance	1	YES
				2	YES
H9	CSR→REP	+	Positive association between CSR practices and corporate reputation	1	YES
				2	YES

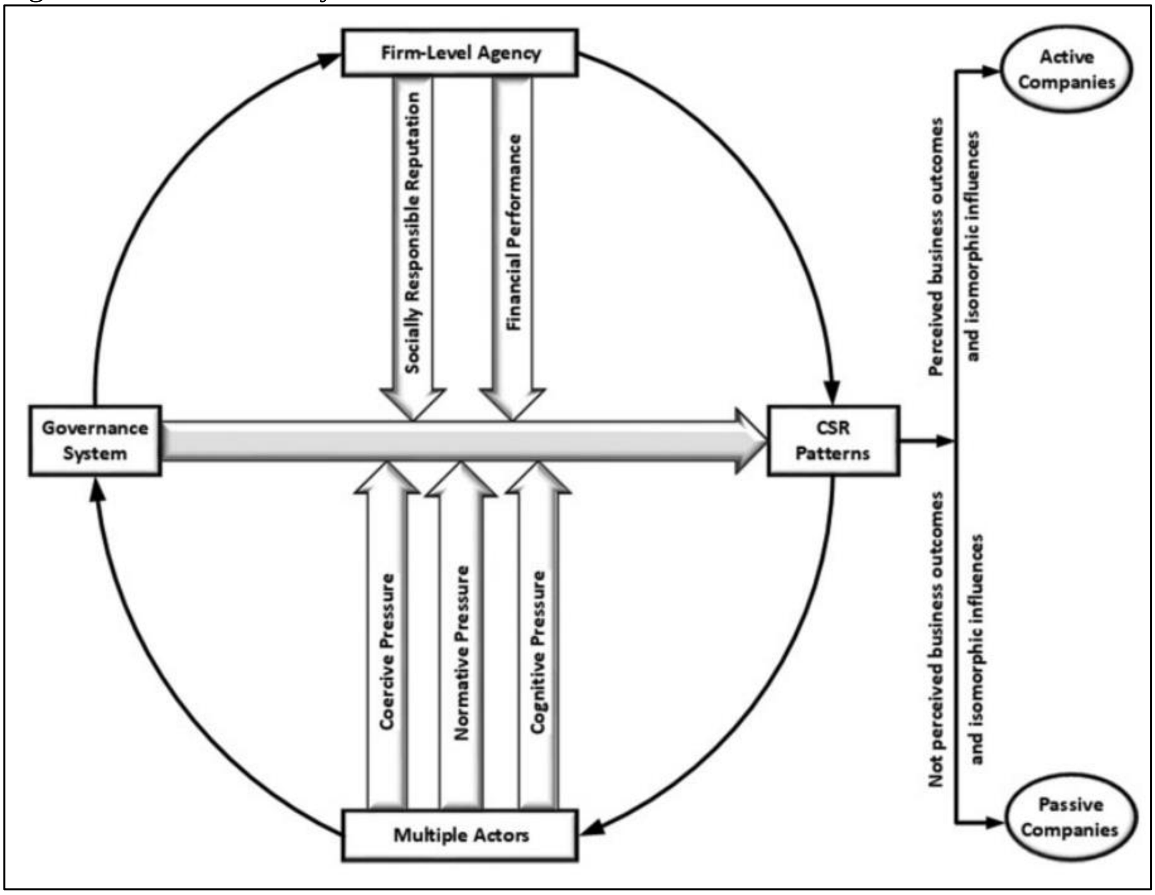
Source: Research data.

2.5 Discussion

In focusing on the electronics, foods, toys, textiles and personal care sectors in Brazil, we have identified two different patterns of CSR responses, the actors who significantly influence firms to act in a socially responsible manner and the perceived business outcomes. Our results indicate that the companies not only perceive institutional pressures differently but also have different motivations for adopting CSR practices. Due to the weaknesses of the existing governance system in Brazil, companies searching for a better CFP and reputation have to meet the demands of a greater number of actors. In response, they adopt CSR patterns that compensate for institutional voids and act as substitutes for formal institutions. When companies are unable to identify financial or reputational advantages in becoming "socially responsible", they may decide to adopt minimal CSR practices and act as a mirror of the institutional environment.

Figure 2 depicts our analytical framework, which represents a dynamic configuration of four elements: "firm-level agency", "multiple actors", "governance system" and "CSR patterns". Turning to the top level of the analytical framework is firm-level agency, which is influenced by the governance system and shapes the CSR patterns. The perception of possible business outcomes may shape a company's actions when it comes to searching for either a reputation as socially responsible or financial performance. A firm’s motivation triggers its agency, corresponding to one type of force that might affect CSR patterns. Turning to the bottom of Figure 2, we represent multiple actors that might influence the governance system and are affected by CSR patterns adopted by companies. There are two pathways. When isomorphic influence and business outcomes are perceived as strong, firms decide to fulfill stakeholder expectations, thus becoming active companies in the implementation of CSR practices. On the other hand, when firms are faced with the existence of weak institutional arrangements across their organizational field, this is likely to trigger their reflective capacity (EMIRBAYER; MISCHE, 1998). Companies are less likely to see the dominant institutional arrangements as taken for granted (BATTILANA, 2006), and as a result they are more likely to attempt to fulfill their own intrinsic motivations. Their CSR pattern will therefore characterize them as passive companies.

Figure 2 – Research analytical framework



Source: Author.

Econometric models 8a and 8a' seek to rationalize CSR practices through strategic interactions with multiple actors that exert institutional pressure on companies from cluster 1 and cluster 2 respectively. Model 8a supports the idea that, with a governance system that lacks the strong shadow of state hierarchy, other actors' step in and assume more active and predominant roles in governance mechanisms, including normative pressures exerted by financiers and cognitive pressures by NGO and customers, in line with the suggestions of Jamali and Karam (2018). For these companies, CSR practices act largely as a substitute, rather than a mirror, for existing institutionalized forms of coordination and actor involvement. It seems that these companies develop strategic responses to institutional pressures that might involve proactive attempts to fill institutional voids, as highlighted by Jackson and Apostolakou (2010).

However, model 8a' shows that none of the actors are perceived as significantly pushing the CSR agenda. These companies may rely on "implicit" forms of CSR embedded within formal and informal social regulations. They act as mirrors of weak institutional pressures that tend to adopt only minimum standards, not best practices. We have found that CSR may act as an institutional mirror and substitute, conditioned by the complementarity of the institutional arrangements. Following Koos (2012), instead of focusing on assumptions about linear institutional effects, institutional research on social responsibility needs to take into account interactions between different institutional spheres.

In this paper we distinguish two patterns of CSR. Cluster 1 is characterized by companies that introduce more comprehensive CSR practices, responding to a broader range of institutional pressures and perceiving more business outcomes. The main participation is by foreign companies, especially in the electronics sector. On the other hand, cluster 2 is characterized by companies that approach CSR practices timidly, are indifferent to the pressures emanating from most actors, and do not consider business outcomes. In this cluster domestic companies in the textile sector predominate. Cluster 2 behavior is consistent with the findings of Abreu et al. (2012), who showed that Brazilian textile firms did not embed CSR practices into their business strategies. In line with Mazboudi et al. (2020), our results indicate that domestic firms in Brazil do not seem to seek legitimacy and financial benefits through CSR activities in the same manner as foreign companies.

We called cluster 1 “Active Companies” and cluster 2 “Passive Companies”, a label that is similar to those used by Frynas and Yamahaki (2016) and Wahba (2010), for whom active companies are those that are specifically engaged in CSR activities and reporting. Conversely, for passive companies, CSR practices remain at an immature stage, merely complying with regulations. In this sense, the CSR practices of passive companies are aligned more closely with the mirror hypothesis (BARKEMEYER et al., 2019), while the CSR practices of active companies tend to substitute for formal institutions (JACKSON; APOSTOLAKOU, 2010; MATTEN; MOON, 2008). Complying with institutional pressures seems to depend on how these pressures are perceived and the possible benefits of different lines of action. One possible explanation for this is that the levels of complementarity, coordination and tightness among institutions in Brazil are weaker.

Due to social problems and substantial economic differences, the institutional pressures are complex and likely to be contradictory, being contested, resisted or even ignored by firms (see also LUND-THOMSEN, 2020). Brazil's institutional environment can be characterized as an uncoordinated system of governance that tends to induce a focus on shorter-term profitability and displays very weak coordination outside firms' boundaries. The 'isomorphic pull' exerted by the combination of forces from different influential social actors was not sufficient to ensure isomorphism, that is, full compliance with institutional pressures. Thus, less isomorphism in EMEs than in more developed economies is to be expected.

The identification of two types of company, passive and active, is an important empirical and theoretical contribution of this paper. It shows that the local dynamics of the governance systems of these two groups are quite different, displaying two categories of CSR response. A spectrum of responses is more likely to emerge where institutional pressures are weak. Therefore, it is also likely that the variation in patterns of CSR is influenced by various forms of engagement with multiple actors. Adding to previous research (ABREU; BARLOW, 2013; ABREU et al., 2015) on the institutional embeddedness of CSR in Brazil, we show that this dynamic context has led to decisive policies and implementation of CSR, with implications for firms' performance.

2.6 Conclusion

This study has developed a comprehensive overview of the role of institutional pressure and the different CSR responses to it in an emerging market. We have identified the actors that influence CSR practices, which is key to comprehending the contextual nuances and effects of such institutions on firms. Within Brazil's uncoordinated governance systems, firm-level agency is shown as manifesting itself in perceptions of institutional pressures and potential business outcomes. We have categorized two types of company with reference to their CSR patterns. Active companies respond to institutional pressures and target business outcomes through proactive CSR activities. Passive companies do not perceive the collective coordination of multiple actors to be important, which only exerts weak collective pressure on these firms to push for CSR practices.

Our research provides insights into the effectiveness of CSR as a complement to or, in some contexts, even a substitute for binding country-level regulatory mechanisms. Therefore, this analysis may improve understanding of the effectiveness of firm level-agency in shaping CSR activities in response to institutional voids in emerging markets. Voids should be treated not as the absence of institutions, but as an indication of weak complementarities among institutions, which permit the existence of a variety of CSR patterns. By comparing two such patterns, we can observe the dynamic relationships between country-level governance and firm-level agency. Our results highlight the complex and multifaceted nature of the multiple actors involved in formal and informal governance systems encouraging CSR in EMEs. We show that CSR can be both an institutional mirror and a substitute for institutions, being conditioned by the level of complementarity of institutional arrangements and firm agency.

This study is not without limitations. First, it relies on information provided by company managers, which may not reflect firms' actual practices. Another limitation is that the sample needs to be expanded to include additional industrial sectors. The period during which the survey took place was one of an expanding economy, since when the economic situation in Brazil has changed greatly. Future research should compare our analysis with less buoyant economic periods to analyze how temporary economic variation affects established institutional environments and in turn firms' adoption of CSR practices.

3 SOCIAL AND ENVIRONMENTAL DISCLOSURE IN DEVELOPED AND DEVELOPING COUNTRIES: EXPLORING THE MIRROR VERSUS SUBSTITUTE DICHOTOMY

ABSTRACT

Much of the debate over how the institutional context can shape corporate social responsibility (CSR) is focused on the dichotomy between liberal and coordinated markets drawn from Varieties of Capitalism. CSR in liberal market economies (LMEs) is seen as a substitute for institutional voids and relies on market incentives, while in coordinated market economies (CMEs) such practices are seen as a mirror of their institutional strengths and rely on stakeholders' networks. Recently, this view has been criticized for its neglect of developing countries, since their CSR practices may not fit properly into this LME-CME dichotomy. We add to this debate by comparing the social and environmental disclosure practices of 86 companies from eight different countries: Australia, Brazil, Canada, Germany, India, South Africa, South Korea and the United Kingdom. We show how institutional characteristics have different effects on social and environmental disclosure, depending on the context in which companies are operating. We show that social and environmental disclosure in LME countries is driven by market forces and is shareholder oriented, while in CME countries it is driven by regulatory provisions. Regarding developing countries, the inclusion of different institutional features may be required to better explain companies' social and environmental disclosure practices.

Keywords: Corporate Social Responsibility. Social and Environmental Disclosure. Institutional Theory. Varieties of Capitalism. Developed and Developing Countries.

3.1 Introduction

A KPMG report states that 75 of the N100 group, which represents the 100 largest companies by revenue from 49 countries, published social and environmental reports in 2017, while 12 did in 1993. A reason for this increment is the pressure of stakeholders to promote socially responsible corporate behavior and to benefit from its outcomes (GALLEGO-ALVAREZ; QUINA-CUSTODIO, 2017). As such, firms have been improving transparency when reporting on their corporate social responsibility (CSR) practices (DANDO; SWIFT, 2003).

The CSR practices adopted by companies can be seen as a reflection of the institutional context in which they operate (CAMPBELL, 2007; MATTEN; MOON, 2008). Conversely, the country in which the business is headquartered is a key factor in determining both the nature and extent of non-financial disclosure (CHEN; BOUVAIN, 2009). The Varieties of Capitalism (VOC) approach explains how a country's institutional characteristics may affect its CSR practices, which Hall and Soskice (2001) cluster countries into two main groups: liberal market economies (LMEs) and coordinated market economies (CMEs). The groups are divided according to the way coordination problems are solved. In LMEs, companies coordinate their activities through hierarchies and competitive market arrangements, while CMEs rely on non-market relationships, through network monitoring and reliance on collaboration (CARNEVALE; MAZZUCA, 2014).

Nevertheless, the VOC approach has been criticized for its focus on developed countries, usually members of the Organization for Economic Co-operation and Development (OECD), while developing countries tend to be neglected (FAINSHMIDT et al., 2018). This problem also arises in literature that uses VOC to explain corporate social and environmental practices from an institutional perspective, focusing on advanced economies. Even studies that include companies from developing countries in their sample give them a marginal participation, without attempting to determine their possible effect on the results (EL GHOUL; GUEDHAMI; KIM, 2017; IOANNOU; SERAFEIM, 2012).

Regarding corporate social and environmental responsibility, Favotto, Kollman, and Bernhagen (2016) argue that companies' social and environmental practices serve as a substitute for more extensive public regulation and are a source of legitimacy for these companies, while in CMEs these practices arise out of the embeddedness of companies in social networks and a greater interaction with stakeholders promoting voluntary environmental and social standards. A closer attention to the national configurations of developing countries can lead to different expressions of CSR behavior (JAMALI; KARAM, 2018). Companies from developing countries are gaining importance in the global business arena. A McKinsey report from 2013 shows that in 2025 more than 45% of Fortune Global 500 companies will be from developing countries, while this percentage was 5% from 1980 to 2000. In this sense, it is critical that customers, business partners, and stakeholders around the world have realistic views of their actual behaviors and reliability of their self-reported CSR performance (LUO; TUNG, 2018; TASHMAN; MARANO; KOSTOVA, 2019).

Given the above, our study is guided by the following research question: *Is the dichotomy between mirror and substitute mode of governance enough to explain the disclosure of CSR practices?* We collected data on the environmental and social practices of 86 companies, from 2007 to 2015. These companies were listed in “Forbes 2000”, published in 2008, and were chosen from environmentally sensible sectors, as oil and gas operations, utilities, and materials, and are headquartered in eight different countries: Australia, Brazil, Canada, Germany, India, South Africa, South Korea, United Kingdom.

The next section uses concepts from institutional theory to understand how the institutional context may shape social and environmental disclosures and to develop our hypotheses concerning the institutional pressures related to the adoption of CSR. We then present our methodology, developed and conducted with a sample of 86 firms operating in three different industrial sectors. We continue with a description of the results and insights into the role of the institutional environment and the intensity of disclosure in shaping CSR patterns. Finally, we discuss the implications of our findings for institutional theory and improving our understanding of CSR in different varieties of capitalism.

3.2 Literature Review and Hypotheses Development

3.2.1 Varieties of institutional systems’ influence on environmental and social disclosure

According to institutional theory, companies are embedded in a nexus of formal and informal rules which include coercive legal regulation, cultural-cognitive influences and normative influence from professional groups (POWELL; DIMAGGIO, 1991). Complementing this approach, neo-institutionalists claim that institutions exert coercive, normative and mimetic pressures on companies to adopt practices that enhance their legitimacy

(JACKSON; APOSTOLAKOU, 2010). Comparative institutionalist research, pointed out that institutional contexts vary across countries, framing diverse types of national business systems. National Business Systems (NBS) is a popular approach proposed by Whitley (1999) and composed of four key features: political, financial, education and labor and cultural systems, which shape management practices and influence their competitive decisions. Another approach known as Varieties of Capitalism (VOC), proposed by Hall and Soskice (2001), examined the behavior of companies, establishing a "relational view of the company", focusing on the spheres of industrial relations, vocational training and education, corporate governance and access to finance, relations between companies, and relations with employees, in which companies have to coordinate their activities with key actors.

Fainshmidt et al. (2018) criticized the VOC and NBS approaches for not being well suited to account for companies operating in developing countries, in which the institutional mechanisms of markets and collaboration identified in developed countries are either absent or peripheral. For instance, both VOC and NBS treat the equity and credit markets as the main channels through which economic actors obtain financial capital. In developing countries, however, governments and families assume the role of capital-providers, substituting financial markets. Fainshmidt et al. (2018) then proposed the Variety of Institutional Systems (VIS) approach as a broader framework, which is composed of five institutional dimensions of economic activity: the roles of state, financial markets, human capital, social capital and corporate governance.

This development of institutional theory was also useful to understand the different approaches to CSR in developed and developing countries. Companies are not only expected to generate a profit, but also to promote efforts to mitigate climate change, protect human rights and safeguard the environment (GJØLBERG, 2009). In this regard, Jackson and Apostolakou (2010) point out that researchers have sought to establish the business case for social and environmental practices by examining how they are related to financial performance, while others have focused on the moral and ethical justification for corporate social and environmental responsibility regardless of its potential financial utility.

CSR presumes corporate choices while also being bound by the law and morals embedded in social relations (JAMALI; KARAM, 2018). The dichotomy between LMEs and CMEs has predominated the debate over the institutional contexts that shape companies’ social and environmental practices. Based on the NBS approach, Matten and Moon (2008) developed a framework to demonstrate how national institutional characteristics influence companies’ social responsibility practices. They propose that companies behave towards CSR practices in mainly two ways: explicit, a market-oriented approach common in LMEs where companies divulge their practices as a means of promoting themselves, and implicit, which is stakeholder-oriented and common in CMEs, where it is unnecessary to disclose their practices, as they are defined by law.

Comparing social and environmental practices of Western European companies, Jackson and Apostolakou (2010) observed that the UK and Ireland, which are LMEs, scored higher on average compared to continental European CMEs. They argued that corporate social and environmental practices in liberal economies are a substitute for the institutionalized forms of stakeholder coordination and participation which are stronger in CMEs. Taking a sample of 110 corporate social responsibility reports which 55 belonging to state-led economies (e.g. France, Portugal and Spain) and 55 from liberal-market economies (e.g. the UK and USA), Gallego-Álvarez and Quina-Custodio (2017) found that firms in state-led economies disclose more information about their social, environmental and business behavior. They attributed this result to the coercive pressure in these countries, which comes from a well-developed legal system that protects/oriented towards stakeholders rather than shareholders' interests.

Based on the NBS, Barkemeyer, Salignac and Argade (2019) furthered the approach between LMEs and CMEs to emerging and developing countries. Taking a sample of 264 companies from 26 developing countries, they pointed out that social and environmental practices in these countries mirror their institutional contexts, rather than functioning as a substitute. However, they note that a substitute behavior may emerge, depending on the corporate practice being evaluated. The strong welfare states in continental Europe and the lack of it in Anglo-American countries resulted in differences in social and environmental practices. Developing countries also have their own forms of CSR practices, given the country-governance contexts in which companies are embedded (BARKEMEYER; SALIGNAC; ARGADE, 2019).

Pilato (2019) adopting the VIS framework and Jamali and Karam's (2018) work on heterogenous CSR expressions in developing countries, proposing that, in countries where the roles of state or the financial markets are stronger, companies are likely to adopt a hybrid CSR approach that combines LME and CME characteristics. On the other hand, in countries leaving stronger roles for human capital (stronger labor coordination) and social capital (high levels of trust among the members of society), a relational type of CSR should be adopted, emphasizing collaborative relationships with stakeholders, which can be seen as a CME-like expression of CSR. Given the role of corporate governance, Pilato (2019) also claims that, if ownership is more dispersed, a developmental expression of corporate social and environmental practices should emerge, one that aims to bridge institutional voids and that can be seen as an LME expression. In such contexts a "decoupled" expression may emerge, that is, a legitimacy-oriented form of corporate social and environmental practices that companies adopt while maintaining a business-as-usual profile.

3.2.2 CSR disclosure in developed and developing countries

Environmental and social disclosure is the act of presenting and explaining the CSR practices to different stakeholders, providing information regarding the company's values and their products and services (MORAVCIKOVA; STEFANIKOVA; RYPAKOVA, 2015). Through disclosure, companies aim to increase transparency, create value, improve reputation, achieve legitimacy, signal competitiveness and motivate employees (HAHN; KÜHNEN, 2013).

Environmental and social disclosure differs among countries due to legal systems' differences between them, which leads to differences in accounting and corporate governance systems (MINIAOU; CHIBANI; HUSSAINEY, 2018). Firms in Anglo-American countries with a common law legal system (i.e. LME countries) have a wider stakeholders' responsibility while firms in countries embracing the Euro-Continental corporate governance model (i.e. CME countries), with a more concentrated ownership structure, have limited stakeholder demands and fewer needs for disclosure.

2.2.1 Role of the State

Fainshmidt et al (2018) point out that one of the key aspects in the way in which the role of State affects a company's behavior is the direct domain of the State. This refers to the domain of the State in the national economic system and is determined by the degree to which it is directly and actively involved in economic production (ZHANG; WHITLEY, 2013). When governments increase their share of participation in GDP, government decision making is substituted for personal choice, which means that companies have less freedom to operate in their own way (GRAAFLAND, 2019). Vickers (1995) states that this reduces competitive pressure on the private market, and decreases incentives for firms to reduce costs and to innovate, which may diminish, for example, the development of cost-reducing environmental technologies. Moreover, as Maignan and Ralston (2002) argue, if the state is perceived as being in charge of social welfare because of its large share in GDP, companies will define their own social and environmental responsibilities in a minimum way. Therefore, we argue that a larger degree of State intervention in the economy reduces a company's incentive to disclose more of its environmental and social practices. In order to address this line of research, we hypothesize the following:

H_{10}: There is a negative association between government interventions in the economy and the disclosure of social and environmental practices.

2.2.2. Role of Financial Markets

Regarding the financial system, its main characteristic reveals the processes by which capital is made available. More precisely, it describes if resources are allocated by capital markets through competition, so that creditors and users remain relatively distant from each other (capital market). Or such resources are provided by some set of intermediaries that negotiate directly with the companies (credit market). In financial systems based on a well-developed capital market, companies need to fight to secure the most advantageous financial arrangements. Decisions in this type of system tend to be guided by the search for short-term profitability, and therefore, this type of market can limit the search for socially responsible practices, since actions of this type, in general, can take a long period to bring benefits to companies (IOANNOU; SERAFEIM, 2012).

On the other hand, Ioannou and Serafeim (2012) also point out that sometimes, markets are not short-sighted. As evidence, they point out that some studies have found a positive relationship between investment in research and development (R&D) and the value of shares, suggesting that there are also investors in the market who seek a long-term return (BIZJAK; BRICKLEY; COLES, 1993; SZEWCZYK; TSETSEKOS; ZANTOUT, 1996; HIRSHLEIFER; HSU; LI, 2013), which is coherent with investments in environmental and social practices. Environmental and social reporting initiatives are relevant for aligning capital markets with sustainable development and mobilizing investment to issues related to Sustainable Development Goals (SDGs) (ROSATI; FARIA, 2019). In the same vein, environmental and social reporting may influence corporate actions and strategies, and, in return, trigger the integration of SDGs into business (ADAMS, 2017). In order to address this line of research, we hypothesize the following:

H_{11}: There is a positive association between a strong country's capital market and the disclosure of social and environmental practices.

2.2.3 Role of Human Capital

As for the role of human capital, it concerns the formation of knowledge and the organization of labor markets within a national system. In countries where work is organized and strong, usually through institutionalized legal arrangements that originate from a consolidated political and economic ideology, strategic investment time horizons tend to be longer and strategic and human resource practices, such as wages and promotion are negotiated with workers (BOTERO et al. 2004; LOCKE; THELEN, 1995). Alternatively, more fragmented labor markets can result in greater employee turnover and flexibility (WITT; REDDING, 2013). However, Fainshmidt et al (2018) argue that in emerging countries, labor markets are often inefficient and internal to business groups or state-owned companies. In such contexts, work is generally less collectively coordinated, and the organizing principle is often based on connections with political elites or family members. In this regard, Simpson and Aprim (2018) argue that environmental and social disclosure is an important factor to attract prospective employees, especially in contexts where employee turnover and flexibility are greater. In order to address this line of research, we hypothesize the following:

H_{12}: There is a positive association between a competitive labor market and the disclosure of social and environmental practices.

2.2.4 Role of Social Capital

The fourth VIS dimension concerns the role of social capital. Fainshmidt et al. (2018) state that collective social capital refers to the extent to which members trust other members of society and society in general. Knack and Keefer (1997) argue that trust is capable of shaping patterns of economic activity within countries significantly. Whitley (1996), on the other hand, argues that widespread distrust in society inhibits the institutionalization of long-term mandatory links between companies and encourages managers to develop informal connections to ensure the availability of necessary supplies. Thus, the degree to which economic actors trust each other and institutions is an organizing principle that supports behavior and coordination among companies (MCEVILY; PERRONE; ZAHEER, 2003).

Generalized trust is an indicator of countries' social capital, which refers to the extent to which members trust other members of society and society in general. Confidence tends to be high in countries that belong to the typologies of VoC and NBS as compared with countries in other regions (e.g., Africa, Eastern Europe, and Asia). Gölgeci et al (2019) explains that social capital is a central relational resource that enables knowledge-sharing among peers and is essential in gaining access to and sharing knowledge across organizational boundaries. They also maintain that this relational capability underlies the effective governance of interfirm exchanges in relationships. In order to address this line of research, we hypothesize the following:

H_{13}: There is a positive association between social trust and the disclosure of social and environmental practices.

2.2.5 Role of Corporate Governance

The fifth dimension of the VIS deals with the role of corporate governance and includes three main characteristics. The first one deals with the concentration of ownership in economies that do not follow the Anglo-Saxon pattern. The second point deals with the importance of family wealth for financing economic activity, which is reflected in the ownership structure of companies. While the third point is also a reflection of the power of families in emerging countries, which can also reverberate in the way companies are managed (FAINSHMIDT et al., 2018).

Given a concentrated ownership scenario, controlling shareholders are more likely to expropriate minority shareholders, which leads to severe agency problems and lower corporate governance quality (CRISÓSTOMO; BRANDÃO; LÓPEZ-ITURRIAGA, 2020). In this regard, Osiichuk and Wnuczak (2021) show that a stronger minority shareholder protection at the country level is associated with larger firm-level long-term nonoperational investments, which is consistent with environmental and social practices. In order to address this line of research, we hypothesize the following:

H_5: There is a positive association between the country's minority shareholder protection and the disclosure of social and environmental practices.

It can be expected that differences in institutional settings of developed and developing countries may reflect on CSR disclosure patterns and motivations (FAINSHMIDT et al., 2018). In fact, Aly, Frynas and Mahmood (2017) reviewed 76 empirical research papers on factors driving CSR disclosure, and pointed out that companies' characteristics, such as size, industry, profitability, and corporate governance mechanisms were able to drive CSR disclosure in both developed and developing countries. However, there were differences on the way stakeholders pressured companies in both groups of countries. In developed countries, stakeholders like creditors, investors, shareholders and the media drove CSR disclosure, while in developing countries CSR disclosure is driven by international buyers, foreign investors and international regulatory buyers.

3.3 Methodology

3.3.1 Data collection procedures

Companies were chosen from three industries: oil and gas operations, materials, and utilities from eight countries, namely Australia, Brazil, Canada, Germany, India, South Africa, South Korea and the United Kingdom. We sampled 86 companies, from the Forbes 2000 list published in 2008, and collected 568 firm-year observations from 2007 to 2015. Table 9 shows the sample distribution among countries and industries.

Table 9 – Sample distribution among countries and industries

	Oil and Gas	Materials	Utilities	Total
Australia (AUS)	14	28	15	57
Brazil (BRA)	14	50	56	120
Canada (CAN)	53	61	15	129
Germany (GER)	0	7	27	34
India (IND)	19	18	15	52
South Africa (ZAF)	9	25	0	34
South Korea (KOR)	9	8	22	39
United Kingdom (GBR)	26	55	22	103
Total	144	252	172	568

Source: Research data.

We analyzed the sustainability reports from each company and scored their social and environmental practices as a proxy for their CSR disclosure. Regarding companies' social practices, we evaluated sixteen indicators, while for their environmental practices we evaluated fourteen indicators. These thirty indicators were chosen by following the methodology proposed by Fischer and Sawczyn (2013), a scale to evaluate social and environmental disclosure based on the Global Reporting Initiative framework. The scale presents indicators scored from 0 to 6, as follows: 0 when no information is disclosed; 1 when performance information is presented in absolute or relative terms. An additional point is awarded when, along with the information in absolute or relative terms, information was provided in accordance with one of the criteria in Table 10.

Table 10 – Evaluation criteria for social and environmental indicators

No disclosure	0
Absolute or relative performance information is presented	1
Absolute or relative performance information is presented relative to peers/rivals or industry	+1
Absolute or relative performance information is presented relative to previous periods (trend analysis)	+1
Absolute or relative performance information is presented relative to targets	+1
Performance information is presented in both absolute and normalized form	+1
Absolute or relative performance information is presented at the disaggregate level	+1
Highest value attributed to each indicator	6

Source: Adapted from Fischer and Sawczyn (2013)

Each indicator was scored from 0 to 6, as follows: 0 when no information is disclosed; 1 when performance information is presented in absolute or relative terms. An additional point is added when, in addition to the information in absolute or relative terms, information was provided in accordance with one of the criteria in Table 2. The dependent variable in this study is the CSR disclosure index (DISC) and was considered as a percentage (e.g. a firm in which all indicators were scored with a 6 will have a 100% disclosure index).

The independent variables in this study are related to the institutional structures defined in the VIS approach. We chose one indicator for each of the five roles, based on three main sources: Freedom House, World Economic Forum, and World Bank. Table 11 provides an explanation for each indicator.

Table 11 – Institutional independent variables

Roles	Indicator	Code	What does the indicator represent?	Source
Role of the State	Economic Freedom Index	EFI	Measures economic freedom of 186 countries based on trade freedom, business freedom, investment freedom, and property rights.	Freedom House
Role of Financial Markets	Financing Through Equity Market	FEM	How easy is it for companies to raise money by issuing shares on the stock market? [1 = extremely difficult; 7 = extremely easy]	World Economic Forum
Role of Human Capital	Hiring and Firing Practices	HFP	In your country, how would you characterize the hiring and firing of workers? [1 = heavily impeded by regulations; 7 = extremely flexible]	World Economic Forum
Role of Social Capital	Rule of Law	ROL	Captures perceptions of the extent to which agents have confidence in and abide by the rules of society.	World Bank
Role of Corporate Governance	Protection of Minority Shareholders	PMS	In your country, to what extent are the interests of minority shareholders protected by the legal system? [1 = not protected at all; 7 = fully protected]	World Economic Forum

Source: Authors.

The “Role of the State” indicator is represented by the Economic Freedom Index, which Özler and Obach (2009) concieved as a systematic assessment of a state’s adherence to free market principles, capable of capturing the state direct dominance and indirect intervention features proposed by Fainshmidt et al. (2018). “The Role of Financial Markets” is represented by the Financing Through Equity Market Index from the Global Competitiveness Report (GCR) of the World Economic Forum (WEF). We note that a commonly used variable of this feature is the Market Capitalization to GDP ratio, but not every country had this information available for the period studied. It should also be noted that the International Monetary Fund does not consider the Market Capitalization to GDP ratio to be a good measure of the development of the equity market in a country, as it does not take into account the complex multidimensional nature of such developments (SVIRYDZENKA, 2016).

A key aspect of the “Role of Human Capital” is employee turnover and flexibility (WITT; REDDING, 2013), thus, we used the Hiring and Firing Practices Index, also retrieved from WEF’s GCI, as a way to represent this role. For the “Role of Social Capital”, Fainshmidt et al. (2018) argues that the key element is generalized trust, that is, the extent to which members of a society trust other members and the society at large. Witt et al. (2018) use the Rule of Law from Worldwide Governance Indicators of the World Bank to represent the extent to which “Social Capital” is present in an economy. “The Role of Corporate Governance” is related to a country’s legal tradition (i.e. common law versus civil law), which affects both the explicit laws protecting minority shareholder’s rights and the ability of a corporation to obtain financing

(REESE JR; WEISBACH, 2002). Therefore, we chose the Protection of Minority Shareholders Index from WEF's GCI to represent this role.

We also included firm-level control variables. The size (SIZE) of companies was used, because larger companies have more resources and are under more pressure to make disclosures about their social and environmental practices (CHIH et al., 2010). Also, companies with a high degree of leverage (LEV) may be more vulnerable to pressure from their creditors, thus reducing their propensity to invest in environmental practices that may affect their disclosure (LOURENÇO; BRANCO, 2013). Finally, a company's ability to generate wealth is also related to its ability to meet social and environmental demands, as more profitable (ROA) companies have more resources to deal with such issues, as well as being better positioned to disclose such practices (RUF et al., 2001).

3.3.2 Statistical Analysis

Initially, we sought to understand different countries' institutional contexts using a hierarchical cluster analysis. Our goal was to identify similarities among the eight countries that could represent institutional complementarities from the five roles that represent their institutional context. Based on the results of the cluster analysis, we conducted descriptive and inferential analyses to understand each cluster better. Square root of Euclidean distance was used to calculate the similarity among countries by year. In order to decide the number of clusters, we plotted country-year distances. The averages for the five institutional variables were calculated and compared using ANOVA and Kruskal-Wallis tests.

A series of fixed-effects panel regressions were employed to evaluate how the institutional variables affect social and environmental disclosure. In the first regression model, the dependent variable is explained only by the independent and control variables (Model B). In a second regression, random slopes were included for the independent variables, to account for each company's country of origin (Model C).

$$DISC_{i,t} = \beta_0 + \beta_1 EFP_{p,t} + \beta_2 FEM_{p,t} + \beta_3 HFP_{p,t} + \beta_4 ROL_{p,t} + \beta_5 PMS_{p,t} + \beta_6 SIZE_{i,t} + \beta_7 LEV_{i,t} + \beta_6 ROA_{i,t} + \varepsilon_{i,t} \qquad \text{(Model B)}$$

$$DISC_{i,t} = \beta_0 + CLUSTERS_{1:n} \times (\beta_1 EFP_{p,t} + \beta_2 FEM_{p,t} + \beta_3 HFP_{p,t} + \beta_4 ROL_{p,t} + \beta_5 PMS_{p,t}) + \beta_6 SIZE_{i,t} + \beta_7 LEV_{i,t} + \beta_6 ROA_{i,t} + \varepsilon_{i,t} \qquad \text{(Model C)}$$

The inclusion of the clusters as an interaction variable, which generates random slopes for each institutional variable, shows us how the relationship of each aspect of the institutional context may affect companies' social and environmental disclosure in different ways, taking into account the complementarity among institutional characteristics of each cluster.

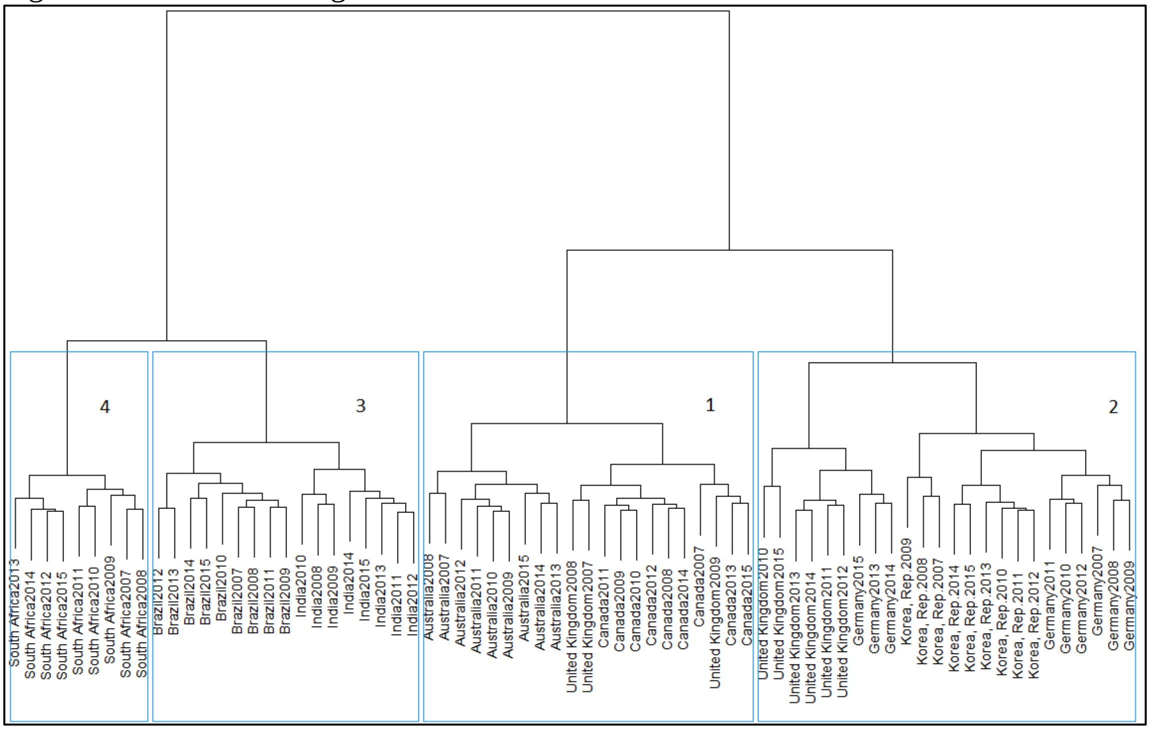
3.4 Results

3.4.1 Identification and comparison of country clusters

We first present the results of the hierarchical cluster analysis. We used the square root of Euclidean distance to calculate the similarity among countries by year. In order to decide the number of clusters, we plotted country-year distances, which formed four separate groups. Based on this, we conducted cluster analyses of the four groups. The dendrogram of the analysis and the cluster composition can be seen in Figure 3.

The more liberal countries, Australia, Canada and United Kingdom, are in Cluster 1. It is worth noting that in the case of the United Kingdom only the years 2007 to 2009 were assigned to this cluster. Cluster 2 represents what are commonly labelled coordinated countries, namely Germany and South Korea, together with the most recent years from the United Kingdom, from 2010 to 2015. Cluster 3 brings together the two large emerging countries from our sample, Brazil and India. Lastly, Cluster 4 represents South Africa.

Figure 3 – Cluster dendrogram



Source: Research data.

After conducting the hierarchical cluster analysis, we computed the mean of institutional variables for each cluster to better understand their similarities, differences, strengths and weaknesses. We complemented this analysis with an Anova and a Kruskal-Wallis Test to check for significant differences among the clusters. The results are shown in Table 12.

Table 12 – Institutional variables averaged by cluster

Variables	Cluster 1 GBR*/AUS/CAN	Cluster 2 GBR**/GER/KOR	Cluster 3 BRA/IND	Cluster 4 ZAF	ANOVA (p-value)	KW-Test (p-value)
EFI	80.805	71.813	55.712	62.867	194.000 (0.000)	64.409 (0.000)
FEM	4.965	4.389	4.338	5.383	0.030 (0.864)	25.370 (0.000)
HFP	4.042	3.526	3.325	2.274	40.959 (0.000)	28.223 (0.000)
ROL	1.7848	1.4470	-0.0809	0.1250	211.200 (0.000)	56.190 (0.000)
PMS	5.396	4.765	4.568	5.832	0.048 (0.827)	37.760 (0.000)

Source: Research data.

These results show that Cluster 1, which can be described as the more liberal one, has the highest averages for EFI, HFP and ROL, and the second highest in FEM and PMS. Cluster 2, consisting of more coordinated markets, presents behavior seen in Cluster 1, having the second highest averages for EFI, HFP and ROL and the third highest for HFP and PMS. It is worth noting that Cluster 4, South Africa, has the highest averages for FEM and PMS, showing how relevant the capital market is in that country. Cluster 3, made up of Brazil and India, has the lowest scores for EFI, FEM, ROL and PMS, and the second lowest for HFP. We stress that ANOVA showed significant differences among the clusters in all variables except for FEM and PMS, while the KW-test showed significant differences in all variables.

We also evaluated social and environmental disclosures by cluster using the same methodology as in Table 11. We computed the means for the full CSR disclosure variable (DISC), as well as the social and environmental indicators separately. The results are shown in Table 13.

Table 13 – Social and environmental disclosure averages by cluster

Disclosure	Cluster 1 GBR*/AUS/CAN	Cluster 2 GBR**/GER/KOR	Cluster 3 BRA/IND	Cluster 4 ZAF	ANOVA (p-value)	KW-Test (p-value)
DISC	0.169	0.165	0.203	0.164	7.386 (0.007)	23.237 (0.000)
Social Indicators	0.140	0.141	0.185	0.130	11.524 (0.001)	28.401 (0.000)
Environmental Indicators	0.199	0.189	0.222	0.200	3.111 (0.078)	11.733 (0.008)

Source: Research data.

Companies in Cluster 3 display, on average, the highest disclosure percentages in both social and environmental practices, while Cluster 4 has the lowest average social disclosure and an environmental disclosure average similar to Clusters 1 and 2. The results of the ANOVA and Kruskal-Wallis tests indicate that the differences in the disclosure average between Cluster 3 and Clusters 1, 2 and 4 are more evident in social practices than environmental practices.

3.4.2 Regression analysis for CSR Disclosure and the institutional context

We then conducted our regression analysis. First, we used panel regression with fixed effects on individuals to evaluate how the five institutional variables and the control variables would affect social and environmental disclosure (Model B). In our second regression (Model C), we included the clusters created in the previous steps of the analysis as interaction variables to see how this would change the relationship between the institutional variables and social and environmental disclosure, given different institutional contexts. The results are shown in Table 14.

Table 14 – Regression results for Models A and B

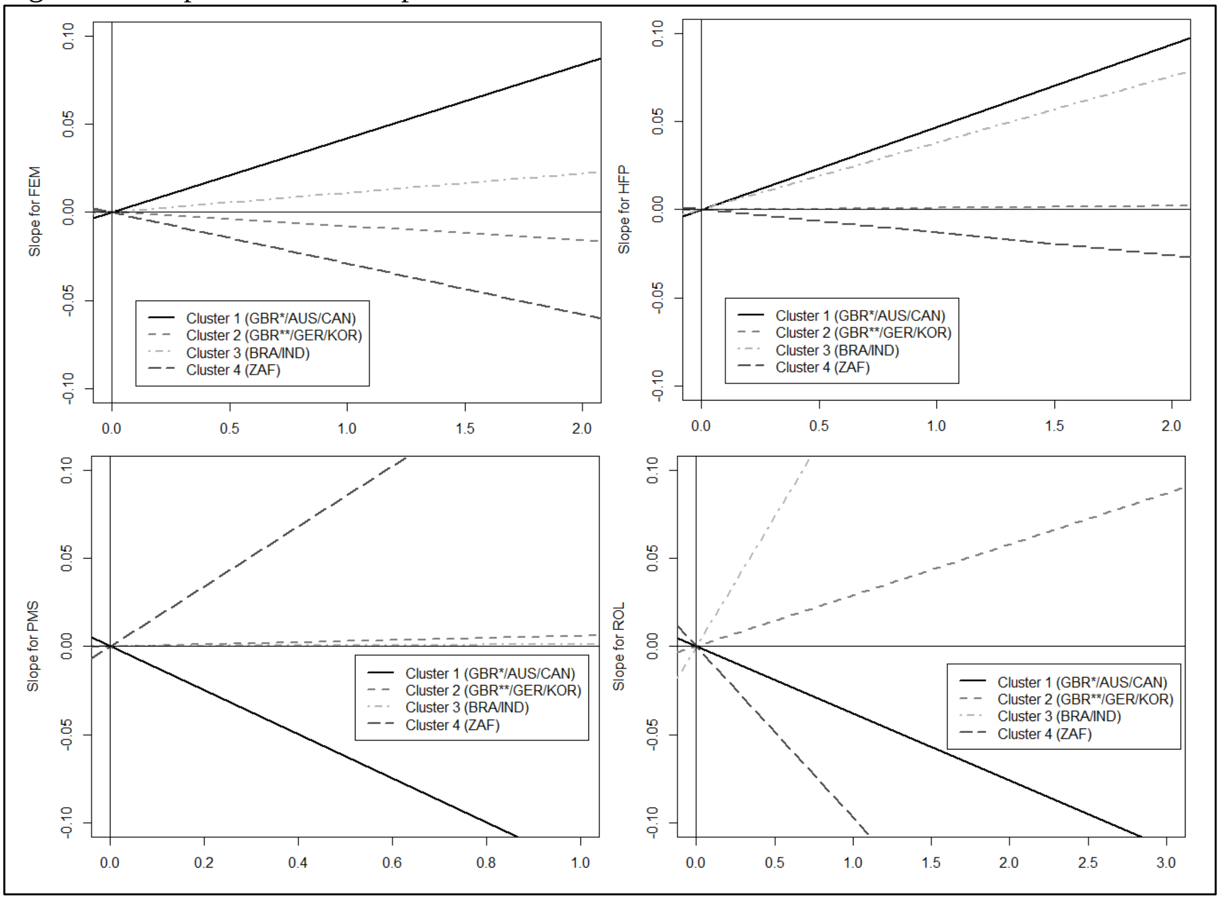
Variable	Model B	Model C Cluster 1 (GBR*/AUS/CAN)	Cluster 2 (GBR**/GER/KOR)	Cluster 3 (BRA/IND)	Cluster 4 (ZAF)
FEM	-0.0156**	0.0420*	-0.0495*	-0.0307	-0.0713
HFP	0.0198***	0.0466**	-0.0458*	-0.0086	-0.0592
PMS	0.0162	-0.1247***	0.1305***	0.1259***	0.2959***
EFI	-0.0014	0.0091	-0.0158*	-0.0054	0.0233
ROL	0.0554**	-0.0382	0.0668	0.1858*	-0.0592
ROA	-0.0338	-0.0026			
Size	0.0064	-0.0034			
Leverage	-0.0470	-0.0386			
N	568	568			
F-Test	2.6863***	2.719***			
R^2	0.043	0.124			

Source: Survey data.
Note: *, ** and *** indicate statistical significance of 10%, 5% and 1% respectively.

The Model B shows statistically significant influence for FEM (p-value < 0.05), HFP (p-value < 0.01) and ROL (p-value <0.05). Both HFP and ROL showed a positive influence on DISC. This implies that, in general, the higher the level of social trust among a society's members (ROL) the easier it is to hire and fire employees (HFP), which should improve social and environmental disclosure by companies. On the other hand, FEM showed a negative influence on DISC, which means that the easier it is for a company to access finance through an equity market, the lower will be its level of social and environmental disclosure.

In order to understand the results in Table 6 better, we detailed what was shown for the three variables whose interactions showed some degree of significance (i.e. FEM, HFP, ROL, and PMS). For each variable, we drew up a table to compute the slope for the clusters, and we also drew those slopes for better visualization. Results are shown in Figure 4.

Figure 4 – Slopes for each independent variable in Model C



Source: Research data.

As stated above, the results for Cluster 1 in the second regression were chosen as the reference. This means that, in order to obtain the slope for Clusters 2, 3 and 4, we need to add their coefficients to Cluster 1's coefficient. The slope for Cluster 1 is actually positive, which implies that, for companies in liberal markets, the easier it is to access the equity market, the greater the incentive companies in such contexts will have to disclose their social and environmental practices. For Cluster 2, the results remain the same: FEM shows a negative slope in this cluster, which means that the easier it is for a company in a coordinated market to access the equity market, the more it will negatively affect its propensity to make social and environmental disclosures. The results for Clusters 3 and 4 did not show any statistical significance in this variable.

Regarding HFP, the results also showed statistical significance only in Clusters 1 and 2. In both contexts, the easier it is to hire and fire employees, the greater the incentive for a company to disclose its social and environmental practices. However, it should be noted that the effect on disclosure is significantly higher in companies operating in liberal markets.

PMS was the only variable that showed any statistical significance in the four clusters. Protecting minority shareholders negatively affects social and environmental disclosure in liberal markets, while it has a positive effect on Clusters 2, 3 and 4. This implies that, for non-liberal markets, legal protection of minority shareholders stimulates companies' social and environmental disclosure. In liberal markets, companies will have a greater incentive to disclose their social and environmental practices the less protected are their minority shareholders.

ROL showed statistical significance in Cluster 4, indicating that an increase in the general level of trust among members of societies in Brazil and India may make companies in these countries better publicize their social and environmental practices. It should be noted that, in fact, the group formed by Brazil and India had the lowest mean for ROL (TABLE 12).

3.5 Discussion

We observed that companies in liberal and coordinated market economies present different approaches regarding their social and environmental disclosure practices. In liberal market economies, companies have market incentives to disclose their practices, as indicated by the positive influence of financing from equity markets and more competitive market labor. Social and environmental disclosure is a tool to reduce the cost of equity, rather than a legal requirement that companies must comply with. Conversely, in coordinated market economies, social and environmental disclosure is something companies must do to comply with the legal requirements, hence the positive influence of protection of minority shareholders on disclosure in companies that are a part of Cluster 2. The negative influence of the FEM variable on disclosure also implies that such practices are not disclosed in order to compete for resources in equity markets.

These results are in line with previous works, such as that by Gallego-Álvarez and Quinta-Custodio (2017), who observed that for companies in state-led markets, such as France, Portugal and Spain, the disclosure of social and environmental practices is driven by coercive pressure and a strong legal system that is not focused exclusively on shareholders' interests, as is the case in market-oriented countries (UK and USA). Favotto, Kollman and Bernhagen (2016) similarly argue that companies operating in the US focus more on shareholder's needs, while European companies have a broader stakeholder view.

However, our research shows some differences from previous studies. Our results highlight the need to expand the dichotomy between the mirror and substitute hypotheses, as this is not enough to explain the practices of companies operating in emerging markets. The lack of statistical significance for most of the institutional variables of companies from Clusters 3 and 4 points to the need to include other dimensions to explain the institutional context. This has also been stressed by Fainshmidt et al. (2018), who proposed a new institutional approach to understanding business systems built upon the more commonly used VOC and NBS. The authors suggest that previous approaches are not suitable for emerging markets, since they lack consideration of aspects like the relevance of family wealth and the state as sources of company finance.

Regarding the differences in social and environmental disclosures among clusters, we argue that the higher average presented in Cluster 3 compared to Clusters 1, 2 and 4 can be interpreted as a weaker institutional complementarity in Brazil and India. While in Cluster 1, there are countries working with the logic of liberal-market economy, which favors market-oriented mechanisms. In Cluster 2, moreover, there are coordinated markets, for which there is usually a well-developed legal system to protect a broader range of stakeholders. Brazil and India, as emerging markets, may present an institutional context that combines elements of both liberal and coordinated markets (JAMALI; KARAM, 2018; PILATO, 2019), making it harder for companies to address social and environmental requirements.

Abreu and Barlow (2013) came to the same conclusion. The authors compared the CSR practices of Brazilian and British companies and highlighted the fact that the principal actors in societal governance in the United Kingdom are more articulated, integrated and convergent than in Brazil. This sort of context created a need for Brazilian companies to adopt a broader approach to CSR compared to British companies. These results also converged with Tashman et al. (2019) when we evaluated the disclosure practices of Forbes 2000 companies. These authors argue that companies in emerging markets are embedded in institutional voids in their home countries but are faced with higher CSR expectations and legitimacy concerns in a global business arena. This can lead to CSR practices being decoupled, that is, primarily oriented towards legitimacy while the company maintains a business-as-usual approach (PILATO, 2019).

The results also agree with Frasen (2013), who points to the predominance of aggregated measures of national configurations (i.e. liberal versus coordinated), which lacks specificity in determining what parts of national politico-economic configurations exert an influence over CSR practices. We show that different institutional characteristics influence social and environmental disclosure in different ways depending on the context in which a company operates. A similar result can also be seen in Barkemeyer et al. (2019), who point out that the CSR practices of companies in emerging markets are closer to CME practices when it comes to environmental and human rights but have LME's characteristics for practices oriented towards the community. This indicates that companies in these countries adopt some sort of hybrid of CME and LME practices.

3.6 Conclusion

This study has aimed to analyze the effects of institutional characteristics on corporate social and environmental disclosure. Unlike previous studies, our focus has been to see how these effects may vary with distinct institutional settings. Our findings contribute in several ways to the literature regarding the shaping of CSR practices by the institutional context. We add new empirical evidence that corroborates the more recent view that the dichotomy between LME and CME is insufficient to explain the social and environmental disclosures of companies that operate in developing countries. We also show that specific institutional features may affect CSR practices in different ways (or have no effect) in different institutional contexts. Lastly, we show that a higher level of social and environmental disclosure may be a reflection of less coherent institutional characteristics.

It should be noted, however, that this study has some limitations. First, the range of years analyzed is short, due to the unavailability of institutional indicators in long and continuous time series, especially for developing countries. For this reason, it was also difficult to choose more than one variable to represent each institutional role. Second, our dependent variable relies on sustainability reports to which access was sometimes limited, due to broken links or them only being available in a different language.

Future research may try to overcome some of these limitations. The use of specialist expertise for some topics may be a way to solve the lack of quantitative data representing certain institutional features. It may also improve our understanding of how a country's context may shape social and environmental disclosure, along with other CSR-related practices.

4 UNDERSTANDING THE DYNAMICS OF EXPLICITIZATION: THE EFFECT OF VARIETIES OF INSTITUTIONAL SYSTEMS ON ENVIRONMENTAL DISCLOSURE

ABSTRACT

We investigated the dynamic process of explicitization of Corporate Social Responsibility (CSR) through environmental disclosure and how this process unfolds in different varieties of institutional systems. We rely on the Varieties of Institutional Systems (VIS), a novel institutional comparative approach proposed by Fainshmidt et al. (2018), which encompasses the configurational context encapsulated by state, financial markets, human capital, social capital, and corporate governance institutions. We used a sample of 97 firms from four countries, Canada, Spain, Brazil and India, ranging from 2011 to 2018, summing up to 776 firm-year observations. We consider that the process of explicitization varies among VIS and is motivated by different institutional characteristics. We show that the explicitization process is weaker in Spain, standing for coordinated markets, while in Canada, which represents liberal markets, is significantly influenced by the extent of shareholder governance. In emerging countries under state-led configurations like India, the explicitization process is not significantly influenced by the institutional context, while Brazilian companies under family-led configurations are influenced by the capital market development and government integrity.

Keywords: Corporate Social Responsibility. Environmental Disclosure. Varieties of Institutional Systems. Explicitization. Institutional Context.

4.1 Introduction

In the past decades there has been a growing attention, on a global level, to the role that companies play in societies where they operate (MAZBOUDI; SIDANI; ARISS, 2020). Corporate social responsibility (CSR) then has become a matter of interest in several areas (ZHAO; ZHANG; KWON, 2018) which is defined as practices adopted by companies that reflect their responsibilities in achieving broader social wellbeing. However, the manifestation and direction of this responsibility is at the discretion of the company that adopts it (MATTEN; MOON, 2008, 2020).

CSR used to be understood as a set of unique and globalized practices to satisfy companies' economic, legal, ethical and philanthropic expectations (MOON; KANG; GOND, 2010). However, as CSR enters new territories, it faces different institutional contexts, with different regulations, norms, culture and behaviors (KIM et al., 2013). Differences between countries' institutions have the potential to shed light on how companies' approach and understand their social roles (MAZBOUDI; SIDANI; ARISS, 2020). Companies in each country are subject to unique institutional demands at the national level, in addition to international demands, which may vary according to the degree of international integration of the company (FORTAINER; KOLK; PINKSE, 2011).

Comparative institutional analysis is uniquely positioned to explain the differences in CSR practices among countries (WITT; MISKA, 2019). This approach derives from historical institutionalism, according to which institutions are socially constructed constraints that structure human relationships (NORTH, 1990). CSR-related works that use historical institutionalism tend to be based on the literature on comparative institutional analysis, most often the Varieties of Capitalism (VOC) school associated with Hall and Soskice (2001).

Following this approach, Matten and Moon (2008) proposed a framework based on the dichotomy between the coordinated market economies (CMEs) of Continental Europe, and the liberal market economy (LME) of the United States. The authors suggest that the institutional environment and the organizational field in which companies operate can shape corporate strategies in their search for legitimacy, producing different dynamic configurations of implicit CSR, in coordinated countries, and explicit CSR, in liberal countries. Implicit CSR practices are those that reflect social and regulatory expectations, while explicit practices reflect the expectations of the company's main stakeholders (MATTEN; MOON, 2020).

This dichotomous view is also present in the work of Jackson and Apostolakou (2010) who similarly identified that CSR practices in CMEs function as a mirror of the institutional environment in those countries, since they present values, norms and rules that generally lead to mandatory CSR practices by companies. While in LMEs, due to lower institutional pressures, CSR practices have a voluntary scope, driven by market incentives. According to this historical institutional perspective, institutions are relatively stable and durable, since the very idea of stability is inherent to institutions (WITT; MISKA, 2019). In fact, North (1990, p. 83) argues that “the process of institutional change is overwhelmingly incremental”. However, authors like Mahoney and Thelen (2009) argue that exogenous shocks and changes can alter institutions over time. Matten and Moon (2020) assert that circumstances of change such as globalization destabilize institutional orientation of CSR, provoke new strategies of legitimacy and bring new configurations of implicit and explicit CSR. Central to this discussion is the process of explicitization of CSR practices. Explicitization is defined as “the process by which norms and rules associated with implicit CSR are adopted in explicit CSR policies, practices, and strategies” (MATTEN; MOON, 2020, p. 7).

In addition, due to this globalization process, the importance of emerging countries has grown. Such countries present different characteristics from developed countries, which adds heterogeneity to the institutional comparative debate (HOSKISSON et al., 2013; JAMALI; KARAM, 2018). Traditionally, comparative institutional literature such as VOC and National Business Systems (NBS) has been based on advanced economies (mainly OECD countries), which makes them less adequate to explain the institutional arrangement of emerging countries (FAINSHMIDT et al., 2018). Matten and Moon (2020) maintain that in these countries, a large part of the economy is regulated by informal institutions that differ from those present in developed countries, and for this reason, they are sometimes labelled as "institutional voids". Nevertheless, the authors point to the fact that in such countries the dynamic among implicit and explicit CSR practices present a rich opportunity to understand the process of explicitization.

Fainshmidt et al., (2018) draw on the previous work of Hall and Soskice (2001) (VOC) and Whitley (1999) (NBS) perspectives to advance a more comprehensive framework called as Varieties of Institutional System (VIS) relevant to economies located in Asia, Africa, East Europe, the Middle East and Latin America. In the case of emerging economies, they include in their analysis relevant characteristics such as the role of the state and family wealth as drivers of the organizational field in these countries. The authors go beyond the VOC and NBS, and demonstrate that some countries fall into the same VIS type despite being geographically remote or belonging to different cultural clusters. The VIS framework is more fine-grained and comprehensive, including several qualitative dimensions of the institutional profile. By taking a structuralist approach, Fainshmidt et al., (2018) offer a frame of reference for better depicting dominant features of the institutional context in which IB takes place and that may give rise to institutional advantages of firms in the global arena.

Given the above, our study is guided by the following research questions: (1) To what extent does the process of CSR explicitization differ among varieties of institutional systems? (2) What institutional dimensions drive the process of CSR explicitization? In order to answer these questions, we assembled a sample of 97 companies from four countries that operate in three industries: agriculture and mining, utilities and refining, and foods, beverages and tobacco. The data collected ranged from 2011 to 2018, summing up to 776 firm-year observations. This work contributes to the literature by incorporating the VIS framework proposed by Fainshmidt et al. (2018) into the discussion of CSR explicitization. The use of a comparative institutional approach can highlight the issue of hybridization of CSR practices, thus helping identify institutional dimensions which drive the inclusion of habitual and mandatory practices within CSR reports and wider corporate policy and strategy.

4. 2 Literature Review and Hypotheses Development

4.2.1 Comparative Institutional Approaches

A growing body of literature has focused on international comparative analysis of institutional arrangements at the national level and their impact on economic activity. The focal points in this literature have been the perspectives of Varieties of Capitalism (VOC), National Business Systems (NBS), and more recently the Variety of Institutional Systems (VIS) taxonomy. The three explore how different institutional configurations at the country level shape corporate behavior. The VIS perspective was explicitly proposed as a reaction to an Anglo-European bias and other advanced economies perceived in the theorization of VOC and NBS (BARKEMEYER; SALIGNAC; ARGADE, 2019).

The VOC approach is based largely on historical institutionalism, as it hails from common concepts and a very deterministic view of the institutions (MORGAN; HAUPTMEIER, 2014). The initial function of VOC is to explain the differences in competitiveness and strategies of companies. The company is seen at the center of a network of economic and social relations (HALL; SOSKICE, 2001). In other words, companies are part of a specific environment where information is essential for the performance of their economic activities (WITT et al., 2018).

According to Hall and Soskice (2001), companies are incorporated in a structure that allows, or restricts, coordination mechanisms in five essential areas: i) industrial relations; ii) vocational training and education; iii) corporate governance; iv) relations between companies; and v) the company's internal relations. Depending on the coordination mechanisms that emerge, Hall and Soskice (2001) divide national systems into two ideal types: liberal market economies (LMEs) and coordinated market economies (CMEs).

The authors do not favor one model over the other, since both models have similar economic efficiency (AMABLE; PALOMBARINI, 2008). They represent typical cases of institutional arrangements and complementarities in the search for competitiveness. In LMEs, companies coordinate their activities mainly through competitive market hierarchies and agreements, while companies in CMEs depend more strongly on non-market relations to coordinate their ventures with other actors and build their main competences (HALL; SOSKICE, 2001). LMEs are characterized by financial systems in the stock market, short-term relationships with employees and commercial relationships between companies, while CMEs favor a banking financial system, long-term relationships with employees and cross-shareholdings (CULPEPPER, 2008).

Another popular approach to comparative institutionalism is that of the National Business System or NBS (WHITLEY, 1999). Whitley argues that the national institutional structure is composed of four main characteristics: the political system, the financial system, the educational and labor system and the cultural system. These institutional characteristics shape management practices and, consequently, define a standard of performance for companies, including their decisions on social and environmental practices. The author uses a firm-oriented view to qualify national institutional regimes as specific economic systems. The NBS approach links the institutional environment of a country to the organization of its economic activities and makes the central focus of the approach to explain the differences between countries in the organization and behavior of companies (SAHASRANAMAM; BALL, 2018). Whitley (1992) defines NBS as distinct configurations of hierarchical market relations that become institutionalized as relatively successful ways of organizing economic activities in different institutional environments.

Rana and Morgan (2019) differentiate NBS from VOC, stating that the second approach focus so strongly on national institutions that it leaves no room for the agency of companies and ignores the issue of internationalization of companies in terms of how institutional contexts of origin affect the ways in which companies internationalize, the impact they have on institutions in the host country, what learning is created from it and how it is communicated by the company. Furthermore, Whitley (1999) moves away from the implicit idea of measuring the diversity of models of capitalism in terms of their "deviations" from liberal Anglo-American capitalism, and attempts to describe capitalist diversity in their own terms, using a sociological framework. Although the basic variables are quite similar to those found in Hall and Soskice (2001), the introduction of different dimensions of property control and sectoral and intersectoral coordination allows for more refined distinctions (JACKSON; DEEG, 2006).

Despite its popularity within the scope of comparative institutionalism, VOC has been criticized for its focus on developed economies, in addition to a shallow view of the main institutional dimensions (SCHNEIDER, 2013; HOTHO, 2014). As an example, despite being considered interfirm networks, VOC ignores the notion of political networks, which make up a crucial element of the institutional environment in which a company operates (RIZOPOULOS; SERGAKIS, 2010). Furthermore, VOC also does not take cultural variation into account, which plays a significant role in explaining how economic actors relate to each other (FAINSHMIDT et al., 2018).

Similar to VOC, NBS is conceptually derived from observational evidence from predominantly developed economies, combined with consideration of some developing economies in East Asia and Eastern Europe. This incomplete representation of the global economy raises concerns about whether the identified business systems really capture all of the remarkable patterns of economic organization around the world, especially since Whitley has never provided a systematic empirical test of their typology (HOTHO, 2014).

Morck and Steier (2005) clarify that in many developing countries, the institutional mechanisms of markets and collaboration identified by VOC and NBS are absent or are peripheral. Instead, the main institutional "engine" of economic activity is often the state or the family. For this reason, Fainshmidt et al. (2018) propose a typology that integrates the VOC and NBS typologies and extends them considering the role of the state and powerful families, which they call Varieties of Institutional Systems (VIS).

Fainshmidt et al. (2018) include five institutional dimensions of economic activity in their analysis: (1) the role of the state in the economy, (2) the role of financial markets, (3) the role of human capital, (4) the role of social capital, and (5) the role of corporate governance institutions. Regarding the role of the State in the economy, Fainshmidt et al (2018) point out three key aspects in the way in which this influence occurs. First, the *direct domination of the*

State, which refers to the domination of the State in the national economic system and is determined by the degree to which it is directly and actively involved in economic production, usually through majority or minority state companies (ZHANG; WHITLEY, 2013). The second aspect is *indirect intervention in the private sector*, since the State can also intervene indirectly in the economy through capital provision, favoritism or participation in corporate governance (for example, political appointments to boards and directors) (KANG; MOON, 2012). The third aspect is related to the type of State, as its position may differ in relation to national economic life.

Fainshmidt et al. (2018) use a typology proposed by Carney and Witt (2014) that classify States as: i) *Regulatory State*, when the state defines and applies the rules of the game, especially the protection of property rights; ii) *Social Welfare State*, when it emphasizes the protection and promotion of the economic and social well-being of its citizens, mainly through the redistribution of wealth by the State; iii) *Developmental State*, when it exercises substantial control over the economy, mainly looking at long-term national interests and engaging in the development of business sectors through industrial policy; and iv) *Predatory State*, which are governed by elites who monopolize power through the use of opaque decision-making procedures, weak institutions and a lack of competition in the market.

With regard to the role of the financial market, Fainshmidt et al (2018) recognize the capital market and the credit market as the main channels for financing economic actors, in a similar fashion as VOC and NBS do. However, the authors differ from previous works in recognizing that the State can act as a provider of financial capital outside traditional private sources, especially in countries where the state owns production factors or financial institutions (LAZZARINI et al., 2015). In addition, Steier (2009) also indicates that in countries whose financial markets are poorly developed, companies tend to seek internal sources of capital, especially wealth accumulated by families.

As for the role of human capital, it concerns the formation of knowledge and the organization of labor markets within a national system. In countries where the workforce is organized and strong, usually through institutionalized legal arrangements that stem from a consolidated political and economic ideology, time horizons for strategic investment tend to be longer and strategy and human resource practices, such as wages and promotion are negotiated with workers (BOTERO et al. 2004; LOCKE; THELEN, 1995). Alternatively, more fragmented labor markets can result in greater employee turnover and flexibility (WITT; REDDING, 2013). As for emerging countries, Fainshmidt et al (2018) argue that labor markets are often inefficient and internal to business groups or state-owned companies. In such contexts, work is generally less collectively coordinated, and the principle of organization is often based on connections with political or family elites.

In addition, most countries described by VOC and NBS have relatively high levels of knowledge due to their more robust educational and skill-building systems (MORGAN, 2007). They have high rates of literacy, advanced health services, higher life expectancy and a high rate of professional and higher education. Such characteristics are also less present in emerging countries.

The fourth dimension of VIS concerns the role of social capital. Fainshmidt et al. (2018) state that collective social capital refers to the extent to which members have confidence in other members of society and in society in general. Knack and Keefer (1997) argue that trust is capable of significantly shaping patterns of economic activity within countries. Whitley et al (1996), on the other hand, argue that widespread distrust in society inhibits the institutionalization of mandatory long-term bonds between companies and encourages managers to develop informal connections to ensure the availability of necessary supplies. Thus, the degree to which economic actors trust each other and institutions is an organizing principle that supports behavior and coordination between companies (MCEVILY; PERRONE; ZAHEER, 2003).

Finally, the fifth dimension of VIS deals with the role of corporate governance and includes three main characteristics. The first one deals with the concentration of ownership in economies that do not follow the Anglo-Saxon pattern. The second point deals with the importance of family wealth to finance economic activity, which is reflected in the ownership structure of companies. The third point is also a reflection of the power of families in emerging countries, which can also reverberate in the way companies are managed.

Based on the characteristics of the five dimensions of the VIS, Fainshmidt et al. (2018) used 28 variables to classify 68 emerging countries, allowing an expansion of the taxonomy proposed by VOC. Using a two-step cluster analysis, the authors found seven clusters of countries that, together with the traditional classification of LME and CME, segregate 88 countries into nine groups (Table 15).

Table 15 – Summary of Classification scheme of VIS taxonomy

Market-based (LME)	Australia	Ireland	New Zealand	Switzerland	UK	US	Canada
Collaborative (CME)	Austria	Belgium	Denmark	Finland	France	Germany	Italy
	Japan	Netherlands	Norway	Portugal	Spain		
State-Led	Argentina	Bangladesh	Belarus	China	India	Indonesia	Malaysia
	Mongolia	Pakistan	Philippines	Russia	Sri Lanka	Thailand	Venezuela
	Vietnam						
Fragmented with Fragile State	Angola	Cameroon	D.R. Congo	Egypt	Ethiopia	Ghana	Kenya
	Rwanda	Senegal	Sudan	Tanzania	Uganda		
Family-Led	Algeria	Azerbaijan	Brazil	Colombia	Mexico	Morocco	Nigeria
	Peru	Tunisia	Yemen				
Centralized Tribe	Bahrain	Iran	Kuwait	Qatar	Saudi Arabia	UAE	
Emergent LME	Botswana	Chile	Hong Kong	Israel	Namibia	Singapore	South Africa
Collaborative Agglomerations	Czech Republic	Estonia	Hungary	Latvia	Lithuania	Poland	Slovak Rep.
	Slovenia						
Hierarchically Coordinated	Bulgaria	Georgia	Jordan	Kazakhstan	Lebanon	Romania	South Korea
	Taiwan	Turkey	Ukraine				

Source: Fainshmidt et al. (2018).

Peck and Zhang (2013) clarify that the logic in this type of analysis lies in the fact that institutional variation arises from the way in which different institutional systems achieve a balance, which support companies with better performance. The focus of this type of analysis, then, is on institutional complementarities in countries that co-evolve and give rise to different governance configurations (CARNEY et al., 2019). Thus, it is not possible to explain the performance of companies based on a single institutional characteristic, since it is actually related to a combination of conditions (FISS, 2007).

4.2.2 Institutional Environment's influence on CSR explicitization

4.2.2.1 Role of the State

Fainshmidt et al (2018) point out that one of the key aspects in the way in which the role of State affects a company's behavior is the indirect intervention in the private sector. This refers to the State intervention through capital provision, favoritism, and participation in corporate governance (KANG; MOON, 2012; MUSACCHIO; LAZZARINI, 2014). For this reason, in many countries, corruption is rampant and often renders the State a critical actor in how organizations allocate their resources (FAINSHMIDT et al., 2018).

In countries where corruption is high, companies are more likely to adopt unethical practices in order to reduce their costs, whether using illegal sources of labor or raw materials, or increasing their share in the market, through bribery or lobbying, for example (IOANNOU; SERAFEIM, 2012). In such environments, leading firms may have achieved their success through corrupt practices and through forces of mimetic isomorphism, the rest of the firms in the same institutional environment may follow suit, suggesting a contagion effect of bad corporate practices (CHIZEMA; POGREBNA, 2019).

In this sense, government integrity is the alignment of public institutions with broader principles and standards of conduct that contribute to safeguarding the public interest while preventing corruption (OECD, 2013). Government integrity is a behavioral expectation that public institutions will conduct their business in a socially accepted manner (CHIZEMA; POGREBNA, 2019). The absence of such an expected behavior manifests in corruption, a socially unacceptable situation, manifest in violation against the moral norms and values for political and administrative behavior (FIJNAUT, 2002).

When corruption becomes institutionalized, it becomes an integral part of daily activities to an extent that individuals may not see the inappropriateness of their behaviors (ASHFORTH; ANAND, 2003). In such cases, the national environment of low government integrity becomes culturally accepted as normal by the collective of national actors such that the behavior at government level may reflect the corporate level (CHIZEMA; POGREBNA, 2019). In fact, Ioannou and Serafeim (2012) found that firms headquartered in countries characterized by lower public sector corruption had higher levels of social responsibility. Likewise, Keig, Brouthers and Marshall (2015) show that companies present higher levels of corporate social irresponsibility. Therefore, we expect that in countries where government integrity is higher, the process of CSR explicitization is stronger, because companies will be more prone to adopt CSR practices.

H_{15}: There is a positive association between government integrity and the process of CSR explicitization.

4.2.2.2 Role of Financial Markets

Regarding the financial system, its main feature is the process by which capital is made available and priced, that is, whether the main source of financing is the capital or credit market. A system based on capital markets mobilizes and distributes capital based on a market in which exchange and price are adjusted similarly to a commodity market. While a credit-based financial system has dominant financial institutions that control companies' financing opportunities (WHITLEY, 1999).

Fainshmidt et al. (2018) argue that the logic of financial market formation reflects a historical political and economic process. While countries that have traditionally favored investor-based systems (e.g. Anglo-Saxon countries) tend to adopt stock exchanges and capital markets, other countries, especially those in Western Europe, tend to adopt a credit market based on a strong banking system.

In this regard, Cheng, Ioannou and Serafeim (2014) state that a stronger capital market is favorable to the adoption of CSR practices, since the efficiency of the capital allocation process in the stock market requires an adequate disclosure mechanism. CSR disclosure seems to provide relevant information about company performance and decreases informational asymmetry (DHALIWAL et al., 2014). Haig and Hazelton (2004) point out that the financial returns from “socially responsible investment funds” pay better than traditional investments since these funds have a competitive advantage based on innovation, product differentiation, and the adoption of environmental and social practices.

Chen, Jermias and Nazari (2016), based on a survey with 154 managers residing in the USA, show that corporate managers are more willing to invest in CSR, the easier it is to access financial resources. El Ghoul et al. (2011) argue that companies with best sustainable practices have lower cost of capital, as they are associated with a larger number of investors and lower risk. Bhatia and Tuli (2014) also argue that companies with better CSR disclosure receive better credit ratings, which contributes to reducing the risk associated with their shares, consequently reducing their cost of capital. Therefore, we expect that in countries where capital markets are more developed, the process of CSR explicitization is stronger.

H_{16}: There is a positive association between capital market development and the process of CSR explicitization.

4.2.2.3 Role of Human Capital

The role of human capital “concerns the formation of knowledge and the organization of labor markets within a national institutional system” (FAINSHMIDT et al., 2018, p. 311). In labor markets underpinned by relational networks, strategic options tend to be constrained because firms are interlocked within long-term-oriented networks (WITT; LEWIN, 2007). On the other hand, more fragmented labor markets may bring about higher employee turnover and flexibility (WITT; REDDING, 2013).

In this regard, Matten and Moon (2008) describe the European labor system as marked by high levels of worker participation in unions, which means that negotiations involving labor aspects are seen as negotiations at the sectoral or national level, and not just at the level of the relationship between the company and its employees. However, in the USA, decisions related to labor issues are defined by strategies adopted by companies, since the country's unions hardly have national reach. In such contexts where employee turnover and flexibility is greater, social and environmental practices are an important factor to attract prospective employees (SIMPSON; APRIM, 2018).

H_{17}: There is a positive association between lenient hiring and firing practices and the process of CSR explicitization

4.2.2.4 Role of Social Capital

Fainshmidt et al. (2018) state that collective social capital refers to the extent to which members trust other members of society and society in general. Trust can shape economic activity within countries in a significant way (KNACK; KEEFER, 1997). Widespread distrust in society inhibits the institutionalization of long-term mandatory links between companies and encourages managers to develop informal connections to ensure the availability of necessary supplies (WHITLEY et al., 1996). Thus, the degree to which economic actors trust each other and institutions is an organizing principle that supports behavior and coordination among companies (MCEVILY; PERRONE; ZAHEER, 2003).

Gölgeci et al. (2019) explains that social capital is a central relational resource that enables knowledge-sharing among peers and is essential in gaining access to and sharing knowledge across organizational boundaries. They also maintain that this relational capability underlies the effective governance of interfirm exchanges in relationships. In this sense, Paxton (1999) states that institutional trust relates to peoples' confidence in institutions. And Vlachos (2010) argues that low confidence in institutions leads to heightened suspicion toward profit-motivated managers engaged in moral-oriented actions. Therefore, one can expect that higher levels of institutional trust lead to a stronger process of CSR explicitization.

H_{18}: There is a positive association between high levels of institutional trust and the process of CSR explicitization

4.2.2.5 Role of Corporate Governance

Wang et al. (2021) argue that country-level investor protection affects the corporate information environment, corporate choices, and investor investment decisions. Stronger investor protection is associated with greater transparency of financial information (BUSHMAN et al., 2004), less earnings management and higher financial information quality reported by corporate insiders to market participants (FRANCIS; WANG, 2008; HOUQE et al., 2012), better capital allocation (WURGLER, 2000), higher investment efficiency (BIDDLE; HILARY, 2006), and higher firm valuation (LA PORTA et al., 2002).

Companies located in countries with better legal investor protection are highly evaluated by the market because market agents are able to pay more for financial assets. This also means that countries with strong laws protecting shareholders' interests have lower incentives for expropriation by managers (MARTÍNEZ-FERREO; VILLARÓN-PERAMATO; GARCÍA-SÁNCHEZ, 2017). Therefore, the market positively values an institutional setting that defends and has investor rights and protective laws as a benchmark (LA PORTA et al., 1997).

Wardani and Setiawan (2020) explains that one of the main features of investor protection are mechanisms of shareholder governance. World Bank (2021) clarifies that the extent of shareholder governance index measures shareholders' rights in corporate governance by distinguishing three dimensions of good governance: shareholders' rights and role in major corporate decisions (captured by the extent of shareholder rights index), governance safeguards protecting shareholders from undue board control and entrenchment (extent of ownership and control index) and corporate transparency on ownership stakes, compensation, audits and financial prospects (extent of corporate transparency index).

García-Sánchez, Martínez-Ferrero and Garcia-Benau (2018), used a sample of 6,442 firm year observations spanning from 2006 to 2014, from 27 countries. They found out that the strength of investor protection positively affects the quality of integrated CSR reports. Therefore, we argue that the process of CSR explicitization is stronger in countries with greater shareholder governance.

H_{19}: There is a positive association between strong shareholder governance and the process of CSR explicitization

4.3 Methodology

4.3.1 Data and Variables

We used a sample of 97 companies from five countries spanning from 2011 to 2018, totaling 776 firm-year observations in a balanced panel dataset. As a way of representing explicitization of CSR practices, we used data provided by CSRHub. Kreft (2019) comments that CSRHub is the largest global company for analyzing and evaluating CSR practices. The scores generated by cover several constructs that relate to CSR, and among them: environment, community, and employee relations scores. Such scores are generated from the compilation of information in databases such as Carbon Corporate Library, Carbon Disclosure Project, EIRIS, Impact Monitor, IW Financial, Risk Metrics IVA, Thomson Reuters, Trucost and Vigeo.

Our sample consisted of four countries, which were chosen so that each represents a different group in the VIS taxonomy. Furthermore, only companies from environmentally sensitive sectors were chosen: Agriculture & Mining; Foods, Beverages, & Tobacco; and Utilities & Refining. Table 16 shows the sample distribution by country (VIS) and industry.

Table 16 – Sample distribution by country and industry

	Agriculture & Mining	Foods, Beverages, & Tobacco	Utilities & Refining
Brazil (Family-led)	72	16	80
Canada (LME)	312	16	72
India (State-led)	24	24	80
Spain (CME)	24	8	48

Source: Author.

Within the CSRHub dataset, we chose Environmental Policy and Reporting (EPR) as our dependent variable. This dimension evaluates a company's policies and its intention to reduce environmental impact, and its value stream to levels that are healthy for the company and for the environment. The data also includes a company's environmental reporting performance, adherence to environmental reporting standards such as the Global Reporting Initiative, and compliance with investor, regulatory and stakeholders' requests for transparency.

Table 17 – Institutional independent variables

Roles	**Indicator**	**Code**	**What does the indicator represent?**	**Source**
Role of the State	Government Integrity	GVI	Assesses the integrity of a government, encompassing both the absence of corruption, and the degree to which government fosters citizen participation and engagement, through open information and transparent practices	Legatum Institute
Role of Financial Markets	Financial Markets Index	FMI	Access, depth, and efficiency of capital markets.	International Monetary Fund
Role of Human Capital	Hiring and Firing Practices	HFP	In your country, how would you characterize the hiring and firing of workers? [1 = heavily impeded by regulations; 7 = extremely flexible]	World Economic Forum
Role of Social Capital	Institutional Trust	INT	Captures the degree to which individuals trust their institutions. Trust in institutions is an important foundation upon which the legitimacy and stability of political systems are built	Legatum Institute
Role of Corporate Governance	Extent of Shareholder Governance	ESG	A composite measure of the rights of shareholders in corporate governance: (a) shareholders' rights and role in major corporate decisions, (b) governance safeguards protecting shareholders from undue board control and entrenchment, and (c) transparency on ownership stakes, compensation, audits and financial prospects.	World Bank

Source: Author.

As for the independent variables in this study, they are related to the institutional structures defined in the VIS approach. We chose one indicator for each of the five roles, based on five main sources: Heritage Foundation, International Monetary Fund, Legatum Institute, World Economic Forum, and World Bank. The independent variables were chosen from the hypotheses outlined, based on a central characteristic of each dimension of the VIS typology. Table 17 provides an explanation for each indicator.

We also included control variables in our analysis. We are used the size of the companies as a control variable, because larger companies have a better capacity to meet stakeholders' demands and are a target of higher pressure from them (CHIH et al., 2010), therefore, it is expected that they adopt a greater range of CSR practices, which can lead to higher CSR explicitization. Also, companies with high leverage may be more vulnerable to pressure from its creditors, reducing the propensity to invest in environmental practices (LOURENÇO; BRANCO, 2013). Finally, the company's ability to generate wealth is also related to its ability to meet environmental demands. More profitable companies have more resources to deal with environmental issues (RUF et al., 2001). Table 18 presents a summary of financial control variables that will be used in this study.

Table 18 – Financial Control Variables

Variable		Description
Company's size	SIZE	Ln(Total Assets)
Leverage	LEV	Total Debt divided by Total Assets
Ebit Margin	EBITM	EBIT divided by Net Revenue
Return on Assets	ROA	EBIT divided by Total Assets

Source: Author.

4.3.2 *Statistical Analysis*

We used the collected data on a series of statistical analyses. Initially, we investigated the difference in the CSR explicitization process among the countries and through the years in our sample. In order to do this, we used descriptive statistics, in addition to non-parametric hypothesis tests. We used Kruskal-Wallis to compare countries, and Friedman test to compare the dependent variable behavior among years.

After performing the descriptive analysis and the hypothesis tests, we carried out a series of regression analyses. In the first regression analysis (Model D), we sought to verify the influence of institutional dependent variables on the dependent variable EPR, considering three different estimation methods: ordinary least squares (OLS), Poisson generalized linear model (POISSON), and ridge regression (RIDGE). At this stage, the analysis was performed with the whole sample, considering all independent and control variables, with the inclusion of time fixed effects.

$$EPR_{i,t} = \beta_0 + \beta_1 GVI_{p,t} + \beta_2 FMI_{p,t} + \beta_3 HFP_{p,t} + \beta_4 INT_{p,t} + \beta_5 ESG_{p,t} + \beta_6 SIZE_{i,t} + \beta_7 ROA_{i,t} + \beta_8 LEV_{i,t} + \beta_9 EBITM_{i,t} + \beta_{10:17} YEAR_t + \varepsilon_{i,t} \quad (D)$$

$$EPR_{i,t} = \beta_0 + YEAR_{2011:2018}(\beta_1 GVI_{p,t} + \beta_2 FMI_{p,t} + \beta_3 HFP_{p,t} + \beta_4 INT_{p,t} + \beta_5 ESG_{p,t}) + \beta_6 SIZE_{i,t} + \beta_7 ROA_{i,t} + \beta_8 LEV_{i,t} + \beta_9 EBITM_{i,t} + \varepsilon_{i,t} \quad (E)$$

The idea behind using three estimation methods in Model D, in addition to capturing the effects of independent variables on the EPR, in general, also serves to test the ridge regression method as a valid regression method. This method aims to reduce overfitting problems in regressions with strong multicollinearity problems. As Model E presents interactions between years and institutional independent variables, we needed to employ an estimation method capable of correcting such problems. In Model E, we used ridge regressions to investigate how the institutional variables influenced the process of explicitization throughout the years in our sample. Besides that, we also run Model E for each country separately, in order to investigate differences in this process among the countries.

4.4 Results

4.4.1. Descriptive and Inferential Analysis

Our analysis covered 97 companies from four countries, ranging from 2011 to 2018. In order to assess how the process of explicitization unfolds, we first present a descriptive analysis of the dependent variable, comparing its behavior among the countries in our sample (Table 19), and among years (Table 20).

Table 19 – Descriptive statistics and Kruskal-Wallis Test by countries

	Mean	SD	Median	KW Test	p-value	Pairwise Wilcoxon Test		
						Brazil	Canada	India
Brazil	62,55	7,95	64,00	163,110	0,000	-	-	-
Canada	54,66	9,38	56,00			0,000	-	-
India	59,52	8,84	62,00			0,004	0,000	-
Spain	66,91	7,38	68,50			0,000	0,000	0,000

Source: Research Data.

Spanish companies, on average, present better EPR scores, followed by Brazilian companies, while Canadian companies present the lowest average. Kruskal-Wallis test, together with pairwise Wilcoxon rank-sum tests, show that the differences among countries are statistically significant (p-value < 0.01).

Table 20 – Descriptive statistics and Friedman Test by years

	2011	2012	2013	2014	2015	2016	2017	2018
Mean	53.88	50.44	56.32	61.08	61.63	61.79	61.32	60.98
SD	10.86	10.39	7.79	8.92	7.41	8.28	8.47	8.91
Median	53.00	50.00	57.00	62.00	63.00	63.00	63.00	62.00
Friedman Test				272.814				
p-value				0.000				
Kendall W				0.402				

Source: Research Data.

Regarding the comparison among years, the lowest average for EPR was observed in 2012, while in 2017, companies presented the highest EPR, on average. It is noteworthy that the dispersion among companies seems to be higher in 2011 and 2012, compared to the following years. Although the Friedman test showed that the difference among years is statistically significant (p-value < 0.01), Wilcoxon signed-rank tests showed that these differences are only statistically significant from 2011 to 2014. In order to further investigate the differences by country and years, Table 21 presents the descriptive statistics by countries and years, simultaneously.

Table 21 – Descriptive statistics by country and year

Country	Statistics	2011	2012	2013	2014	2015	2016	2017	2018
Brazil	Mean	58.19	54.81	57.71	65.19	65.95	67.38	66.00	65.14
	SD	8.96	7.10	6.98	8.05	4.98	4.97	4.70	6.44
	Median	58.00	54.00	59.00	68.00	65.00	68.00	67.00	66.00
Canada	Mean	49.92	47.06	54.86	57.44	57.88	56.98	56.86	56.24
	SD	10.44	10.57	7.92	8.42	7.23	7.54	8.33	8.39
	Median	51.00	48.00	56.50	58.00	58.00	57.00	57.00	58.50
India	Mean	53.75	47.69	54.19	62.88	63.56	65.13	64.50	64.50
	SD	9.68	7.96	6.82	7.86	3.41	3.48	3.93	5.07
	Median	53.50	46.50	54.00	64.00	63.50	64.50	65.00	64.50
Spain	Mean	64.80	62.60	64.10	67.80	68.20	68.80	68.70	70.30
	SD	8.16	6.31	5.40	6.88	7.08	8.40	8.51	6.67
	Median	66.00	63.50	63.50	69.00	70.50	69.50	71.00	71.00

Source: Research Data.

All four countries present a similar behavior. All countries reached the lowest EPR average in 2012, while from 2014 onwards, they present the highest averages. It is noteworthy that Brazil, India and Canada present more dispersion from 2011 to 2014, while from 2015 to 2018 these dispersions are lower. Differently, Spain presents lower dispersions from 2011 to 2014, while from 2015 onwards the dispersions are higher. It is also noteworthy that, even though Friedman tests showed statistical significance (p-value < 0.01), Wilcoxon signed-rank tests were only significant for Brazil, Canada and India.

4.4.2 Regression analysis

After the descriptive analysis and the tests performed, the regression analysis continued. As described in the Methodology section, two models were tested. In Model A, the dependent variable EPR is explained for the entire sample simultaneously, considering the fixed effect of years. At this stage, three regression techniques were used: OLS, Poisson and summit regression. The objective of using the three forms of regression simultaneously is to show that the results, in all cases, are similar in terms of significance and value of the estimated coefficients. The results are shown in Table 22.

Table 22 – Model D results for the whole sample

	OLS		POISSON		RIDGE	
	Coefficient	p-value	Coefficient	p-value	Coefficient	p-value
GVI	-0.351	0.079	-0.007	0.036	-0.119	0.006
HFP	-2.881	0.010	-0.052	0.006	-2.415	0.000
FMI	26.113	0.000	0.429	0.000	17.147	0.000
ESG	25.643	0.250	0.240	0.514	38.830	0.000
INT	0.052	0.631	0.002	0.344	-0.057	0.091
ROA	0.086	0.368	0.002	0.306	0.095	0.264
LEV	-2.137	0.190	-0.032	0.253	-1.730	0.266
MEBIT	0.048	0.855	0.002	0.622	0.032	0.895
SIZE	1.792	0.000	0.031	0.000	1.794	0.000
Year Fixed Effects	YES		YES		YES	
F Test	2,707.070 (0.000)		-		-	
R^2	0.406		-		-	
Adj-R^2	0.393		-		-	
Cragg & Uhler's Pseudo-R^2	-		0.486		-	

Source: Research Data.

The results obtained for the for OLS and Poisson estimations show a negative and significant influence for the GVI (p-value < 0.10) and HFP (p-value < 0.05), while the FMI had a positive and significant influence (p-value <0.01). As for the estimation through summit regression, it presented similar results for the variables GVI, HFP and FMI (p-value < 0.01), with the addition of a positive and significant influence of the ESG variable (p-value < 0.01) and negative and significant of the INT variable (p-value <0.10). Among the control variables, only Size was statistically significant, exerting a positive influence on EPR (p-value < 0.01).

Then, after the regressions performed for Model D, the ridge regression method was used to estimate the coefficients of Model E. In each run, interactions between institutional independent variables and years were included, in order to observe how the influence of the institutional environment can unfold differently over the years, on the process of explicitization. In addition, the analyzes were also replicated separately for each country, in order to detect differences in this process in each of the institutional contexts. Table 23 presents the estimated coefficients for each year. The results for the general sample show that there is a significant influence of the ESG dimension on explicitization, throughout almost the entire period, while the other dimensions concentrate their statistical significance at the beginning of the period, which points to a more lasting relevance of the dimension of shareholder governance as a driver of a process of explicitization.

Table 23 – Model E results for the whole sample

Year	GVI	HFP	FMI	ESG	INT
2011	-6.374***	-1.568***	4.134***	1.497***	-6.919***
2012	-6.365	-2.235***	8.723***	-1.484**	-6.967***
2013	-6.350***	-1.719	8.524***	-2.058***	-6.901
2014	-6.375	-1.374	4.498	3.713*	-6.924
2015	-6.377	-1.181*	3.963	3.704*	-6.910
2016	-6.380	-1.233	4.478	4.398**	-6.915
2017	-6.373	-1.157**	3.569	2.670	-6.886**
2018	-6.387	-1.348	3.490	4.622**	-6.904

Source: Research data.
Note: *, ** and *** indicate statistical significance of 10%, 5% and 1% respectively.

Table 24 shows the coefficients for Brazil. The results for Brazilian companies show that there is a significant influence of all institutional variables on the process of making CSR practices explicit. In the country, there is an incremental effect of the GVI and the IMF. The other variables, HFP, ESG and INT, all have a reducing effect on the process of making CSR practices explicit.

Table 24 – Model E results for Brazil

Year	GVI	HFP	FMI	ESG	INT
2011	0.176***	-0.886***	16.009***	-5.864	-0.100***
2012	0.160***	-1.120***	14.580***	-6.815***	-0.122***
2013	0.167**	-1.026**	15.178**	-6.417**	-0.114**
2014	0.189***	-0.646***	17.167***	-5.064***	-0.080***
2015	0.188***	-0.627***	17.036***	-5.130***	-0.079***
2016	0.191***	-0.485***	17.395***	-4.925***	-0.071***
2017	0.185**	-0.634**	16.805**	-5.304**	-0.083**
2018	0.180	-0.797	16.330	-5.613	-0.092

Source: Research data.
Note: *, ** and *** indicate statistical significance of 10%, 5% and 1% respectively.

Table 25 shows the coefficients for Canada. Canadian companies show that there is a significant influence, with greater recurrence, of the variables GVI, FMI and ESG, on the process of making CSR practices explicit. Unlike Brazil, in Canada, the GVI and IMF variables have a reducing effect on the explicitization process, while the ESG variable has an incremental effect.

Table 25 – Model E results for Canada

Year	GVI	HFP	FMI	ESG	INT
2011	-0.021***	-2.148***	-1.882***	2.570*	-0.027***
2012	-0.024***	-2.700***	-2.204***	2.328***	-0.031***
2013	-0.027***	-2.986***	-2.500***	1.915***	-0.035***
2014	-0.022*	-2.268	-2.024	2.333***	-0.029
2015	-0.020	-1.933	-1.764	2.679	-0.026
2016	-0.019**	-2.008	-1.715*	2.745*	-0.025
2017	-0.019*	-2.058	-1.750	2.732*	-0.026
2018	-0.019	-1.997	-1.723*	2.719*	-0.026

Source: Research data.
Note: *, ** and *** indicate statistical significance of 10%, 5% and 1% respectively.

Table 26 shows the coefficients for India. The results for Indian companies show little influence of Indian institutional characteristics on the process of making CSR practices explicit over the years.

Table 26 – Model E results for India

Year	GVI	HFP	FMI	ESG	INT
2011	-0.00016***	-0.030***	-0.016**	0.027	-0.00042***
2012	-0.00019	-0.034	-0.019	0.023	-0.00046
2013	-0.00021*	-0.037*	-0.021*	0.020**	-0.00049*
2014	-0.00016	-0.030	-0.016	0.025	-0.00043
2015	-0.00013	-0.026	-0.013	0.029	-0.00039
2016	-0.00012	-0.025	-0.012	0.030	-0.00038
2017	-0.00012	-0.026	-0.013	0.029	-0.00039
2018	-0.00013	-0.027	-0.014	0.029	-0.00040

Source: Research data.
Note: *, ** and *** indicate statistical significance of 10%, 5% and 1% respectively.

Similarly, in Table 27, what can be seen is that the process of making Spanish companies explicit has received little influence from institutional characteristics over the years evaluated.

Table 27 – Model E results for Spain

Year	GVI	HFP	FMI	ESG	INT
2011	0.025	0.244	2.284**	2.654**	-0.014
2012	0.020**	0.147**	1.927**	2.282**	-0.021**
2013	0.022	0.186	2.051	2.408	-0.019
2014	0.026	0.263	2.355	2.735	-0.012
2015	0.027	0.278	2.404	2.790	-0.011
2016	0.028	0.287	2.451	2.839	-0.010
2017	0.027	0.278	2.401	2.784	-0.012
2018	0.029*	0.325*	2.570*	2.938*	-0.008*

Source: Research data.
Note: *, ** and *** indicate statistical significance of 10%, 5% and 1% respectively.

Table 28 shows the relationship between the results of the regression analyses and the assumptions made in the hypotheses. The positive association between government integrity (H_{15}) and the extensions of the explicitization process was not supported in the whole sample, and individually to Canadian, Indian and Spanish companies but was supported in the case of Brazilian companies. When analysing the influence of the financial market on the explicitization process, the H_{16} was supported only in the case of Brazil. H_{17} and H_{18} were not supported at all while in the case of the influence of corporate governance on the explicitization process, our results support H_{19} for the whole sample and Canada in particular.

Table 28 – Hypotheses and results

Hypothesis		Whole Sample	Brazil	Canada	India	Spain
H_{15}	GVI $\rightarrow^{+}$ EPR	Rejected	**Supported**	Rejected	Rejected	Rejected
H_{16}	FMI $\rightarrow^{+}$ EPR	Rejected	**Supported**	Rejected	Rejected	Rejected
H_{17}	HFP $\rightarrow^{+}$ EPR	Rejected	Rejected	Rejected	Rejected	Rejected
H_{18}	INT $\rightarrow^{+}$ EPR	Rejected	Rejected	Rejected	Rejected	Rejected
H_{19}	ESG $\rightarrow^{+}$ EPR	**Supported**	Rejected	**Supported**	Rejected	Rejected

Source: Research Data

4.5 Discussion

Our research identified different processes of CSR explicitization among VIS and the institutional dimensions which exert more influence towards driving such processes. For the sample as a whole, as well as Canada individually, the role of corporate governance exert a significant influence on the CSR explicitization processes. Corporate governance corresponds to a system that seeks to align managers and shareholders' interests. In a broader perspective, it comprises not only shareholders' wealth maximization but also of a system that complies with other stakeholders' demands (CLAESSENS; YURTOGLU, 2013). Disclosure of firm policies is considered to be strongly influenced by the board (HANIFFA; COOKE, 2005, MICHELON; PARBONETTI, 2012) and the ownership concentration because it shapes how owners, labor and management interact with each other (AGUILERA; JACKSON, 2003).

A possible explanation is related to the behavior of companies operating in countries with different coercive pressures and refers to the framework proposed by Matten and Moon (2018). In countries such as Canada, companies are redefining traditional implicit CSR expectations in explicit terms and, thus, develop more explicit policies, strategies, and practices. Gjolberg (2009) pointed out that MNCs have made explicit CSR a standard mimetic practice in anticipation of evaluation by societies and regulators in host country markets. For Thorne et al. (2015), Canadian companies engage in social and environmental practices and strategic alliances, in response to stakeholders' pressures toward CSR. Despite the fact that Canada adopted a liberal regime, the country established universal social public policies, similarly to European countries (BÉLAND et al., 2014).

Klotz (2013) describes the Canadian population as generally law-abiding but uninformed. Bribes to Canadian public agents were almost non-existent after the publication of the Corruption of Foreign Public Officials Act (CFPOA) (Klotz, 2013). According to Boisvert, Dent and Quraishi (2014), the payment of bribes to agents from other countries is still the main form of corruption existing in Canada, but even so, the occurrences are few. Additionally, the Canadian financial system, according to Calmès (2004), is very oriented towards the capital market, with a large part of the financing of companies being carried out through debt securities and shares. The Canadian banking system, according to Bordo et al. (2011), is considered very efficient. However, it is extremely concentrated, with eight banks possessing more than 90% of the total assets of the sector, giving them great freedom to operate in the Canadian market (CALMÈS; THÉORET, 2013).

In the case of Brazil, the role of the state and financial market are the most influential dimensions. A progressive approach to CSR is linked to an established legal system that exerts considerable influence on national and local governments for companies to set high standards for CSR (AGUILERA et al., 2007). Murillo-Luna, Garcés-Ayerbe and Rivera-Torres (2008) contended that the coercive influences of the state, such as guidelines or binding regulations, lead companies to implement environmental policies. Generally, emerging markets have evolved embodying high levels of corruption, weak regulatory enforcement, governance problems and stifled public input. In this context, corporate social responsibility (CSR) has commonly been less formalized and more philanthropic in nature (VISSER, 2008) which could explain the need for explicit environmental and social practices. According to the VIS framework, Brazil is predominantly ‘Family-Led’, as such, wealthy and dominant families take center stage in ownership, resource allocation and management.

In Brazil, as in many other emerging markets, corruption has been present throughout history (POWER; TAYLOR, 2011; GEDDE; RIBEIRO NETO, 1992), going through different phases and changing its characteristics, but always with a strong presence in Brazilian politics (PUFFER; MCCARTHY; JAEGER, 2016). In recent years, the justice system has been more active in attacking pockets of corruption, but still only very selectively, reflecting the well-known saying in Brazil, “Everything for my friends, the law for my enemies”. The justice system itself has not undergone the structural changes that would reduce its own corrupt practices. However, what have changed are overall attitudes towards corruption, indicating changes in informal institutions. In the past, corruption was seen as a “fact of life”, but in the last two decades it has become evident that Brazil’s citizens have started demanding higher standards of behavior from their elected officials (PUFFER; MCCARTHY; JAEGER, 2016). Cases of corruption have been publicly condemned in huge demonstrations all over Brazil, forcing the justice system to investigate them more vigorously. In this context of wanton corruption, the Brazilian middle class and their representatives have rejected these kinds of practice, requiring explicit commitments towards ethics, as such, accounts of explicitization are an obvious means to respond to this pressure, as highlighted by Matten and Moon (2018).

Significant diversity exists in financing arrangements among countries. Aguilera (2005) argued that these differences occur because national institutions allocate power within firms differently. According to Ioannou and Serafeim (2012), in market-based financial systems with well-developed equity markets, corporations strive to secure the most favorable financial terms. Financing decisions in these environments are typically aimed at short-term profitability, which may limit socially responsible practices. In Brazil, the allocation of financial resources is highly concentrated on the banks, rather than the stock markets. With the retreat of the state as the main financial provider, private banks have become important actors in financing firms, being more likely to take a longer-term perspective. Cheng, Ioannou and Serafeim (2014) demonstrated that better social and environmental practices can also facilitate borrowing in financial markets.

The benefits of CSR such as reputation-building usually materialize in the long term. The financial returns of socially responsible investment funds are more likely to surpass those of conventional investments as a result of first-mover advantages, product differentiation and competitive edge (HAIG; HAZELTON, 2004). Ioannou and Serafeim (2015) argue that the efficiency of the capital allocation process in market-based systems is a more salient mechanism than the potential short-termism of the market. Tecles and Tabak (2010) state that the banking sector has taken advantage of the long periods of inflation in Brazil. However, the monetary reform under the “Plano Real” stabilized prices and reversed this process. While eliminating the possibility of easy earnings from inflation transfers, the transition to a lower interest-rate environment exposes banks to increasing risks and unprofitable loans. As demonstrated by Scharf et al. (2012), Brazilian banks have adopted new management approaches to generate positive brand recognition, including social projects that balance economic and social values. It seems that financiers may use CSR as a tool to protect their investment value by legitimizing operations, conforming to industry norms or lessening managerial entrenchment.

4.6 Conclusion

This study has developed a comprehensive overview of the influence of varieties of institutional systems on the CSR explicitization process. We have identified that government integrity, capital market development and shareholder governance exert significant influence on the CSR explicitization process, which is key to comprehending the contextual nuances and effects of such institutions' dimensions on firms. By comparing different countries, we can observe the dynamic role of institutional contextual dimensions and their respective elements. Explicitization does not deem to be relevant in countries such as Spain and India, as the inclusion of habitual practices within CSR is not seen as an asset, but rather a redundancy; in the former for there is a general practice of following the law, therefore a company does not distinguish itself by doing the bare minimum, and in the latter because the primary driver of economic activity is often the state. In the managerial field, the results of the study indicate that family-led countries are subject to the state and financial markets in the definition and maintenance of the legitimacy of their CSR practices. In the case of LME, the role of corporate governance pertains to how companies are controlled and managed, which exert a prominent role in wider corporate policy and strategy which enables dialogue in order to include socially responsible actions.

Our results demonstrate that in Brazil, the set of boundaries and parameters that guide the institutional environment are not clearly defined and allow experimentation of new forms of disclosure and approaches to CSR (Abreu et al., 2015). A lesson learned in this research is the need for better governance of the institutional environment to bring pressure for explicitization of long-standing implicit norms and regulations. At the same time, the state and financial system has a strong influence on firms to increase the disclosure of their practices. Many of the "meso level" institutions between societies and markets, such as multi-stakeholders initiatives and the business associations, have been pressured by their members or those they seek to regulate to demonstrate CSR. This process must recognize the interconnections of the organizational field with the institutional framework and be guided by ethical and moral aspects.

This study is not without limitations. First, it relies on information provided by the CSRHub database, which may not reflect the trajectories from implicit to explicit CSR. Another limitation is that we worked with a reduced sample due to the choice of environmentally sensitive sectors and the decision to obtain a similar number of observations in all countries, which could be expanded to include additional industrial sectors and countries in future studies. Although there are empirical limitations in the research, the indicators were carefully chosen to represent the VIS framework and to demonstrate the importance of the relationship between the CSR explicitization process and the institutional environment.

5 THESIS CONCLUSION

This thesis further investigates how the institutional environment and CSR practices co-evolve and interact. As different patterns of CSR practices emerged from companies in different countries, Institutional theory has been one of the main theoretical lenses used to explain said difference (KIM et al., 2013). The search for national patterns of CSR governance began based on a comparative institutionalism (WHITLEY, 1999; HALL; SOSKICE, 2001; CAMPBELL, 2007; MATTEN; MOON, 2008). For liberal markets in Anglo-Saxon countries, CSR practices are used as a way to substitute more permissive institutional mechanisms and are intended to bring competitive advantages to the companies that adopt them. For this reason, CSR practices tend to be used more explicitly. On the other hand, in coordinated markets such as Western European countries, or advanced Asian economies such as Japan, CSR practices tend to be driven by the institutions that shape the organizational field of these countries. In these cases, there is a tacit expectation that companies adopt practices that benefit society as a whole, making CSR practices more implicit.

Comparative institutionalism attempts to explain the governance of CSR practices based on two logics: “mirror” or “substitute” governances (JACKSON; APOSTOLAKOU, 2010; IOANNOU; SERAFEIM, 2012; FRYNAS; YAMAHAKI, 2016; KINDERMAN; LUTTER, 2018). However, these works are mostly based on developed countries, and, consequently, the conclusions about “mirror” or “substitute” may not be valid for the CSR practices of companies in developing countries (BARKEMEYER; SALIGNAC; ARGADE, 2019). Developing countries present differences regarding the ownership structure of companies, the functioning of the financial market and labor market, in addition to the role of the State in the economy (FAINSHMIDT et al., 2018). Such differences create an institutional environment full of idiosyncrasies and lead to unique manifestations of CSR at the national level (PILATO, 2019).

This thesis aims to demonstrate how these idiosyncrasies create an institutional environment in which expectations about CSR practices are more diffuse, and the strategy adopted by companies in developing countries differs from the “mirror” or “substitute” logic. This thesis investigated this issue through three papers. In the first paper (Chapter 2), we showed how different CSR governance patterns emerged in Brazil, based on the way in which institutional pressures and the business outcomes are perceived differently by companies that adopt CSR practices. The result of the cluster analysis pointed to the existence of two groups of companies operating in Brazil: a group with higher adoption of CSR practices, which can be interpreted as a “substitute” mode of governance; and a second group with lower adoption of CSR practices, which can be understood as a mirror-type of CSR governance. The companies in the first group, beyond perceiving pressures from different stakeholders, also identify better financial benefits coming from a greater engagement in CSR practices, which bring them closer to a substitution logic in face of a weaker institutional environment. On the other hand, companies in the second group, as they identify lower financial benefits from CSR engagement, end up mirroring what is implicitly demanded by the institutional environment, leading to a lower adoption of CSR practices. This result shows that the predominant CSR governance logic may not apply in cases of countries like Brazil, whose institutional voids leaves room for greater agency for the environmental and social practices developed by companies.

Expanding this discussion, the second paper (Chapter 3) investigates how interactions between institutional characteristics and the national context can generate different modes of governance in developed and developing countries. The results of the paper show that the substitution and mirror governance is, in fact, observed for developed countries, as is the case of Australia, Canada, United Kingdom and Germany. In the cluster formed by more liberal countries, it was observed that the disclosure of CSR practices of companies is driven by market mechanisms, since the strength of the capital market and greater flexibility in the labor market showed a positive influence on the social and environmental disclosure of companies in these countries. As for the cluster of coordinated countries, it was observed that the disclosure of social and environmental practices is encouraged through mechanisms linked to the protection of minority shareholders, revealing the importance of the existence of regulatory mechanisms for the disclosure in these countries. In the two clusters formed by developing countries (Brazil and India in cluster 3, and South Africa in cluster 4), there is a lack of statistical significance in most of the institutional variables. This result is aligned with the findings of Chapter 2, showing that the institutional environment in these countries is more diffuse, and that it is difficult to establish a predominant logic between mirror and substitute governances in developing countries.

The third article of the thesis (Chapter 4) investigates a new element that composes the dynamics of the institutional environment and the adoption of CSR practices. The explicitization process, evidenced by Matten and Moon (2020), reveals that, as the adoption of CSR practices expands across different countries and international standards emerge, companies start to adopt CSR practices more explicitly. In this sense, the distinct characteristics of the institutional environment observed between countries give rise to different needs of explicitization of CSR practices. The results reveal that CSR practices in coordinated economies (Spain) are more resilient to the explicitization process, with little difference being observed in the level of disclosure and inclusion of CSR practices in companies' environmental policies over the years. This differs from liberal economies (Canada), in which this process seems to be more accentuated, as the country showed greater variation in the explicitization process, driven mainly by corporate governance mechanisms. In the case of Brazil, it is observed that the process of explicitization is influenced by all the institutional dimensions, but two of them encourage Brazilian companies to a greater degree of CSR explicitization: the strength of the capital markets and government integrity. In India, despite having presented a process of explicitization, there was no statistical significance among institutional variables driving the process, indicating that it may be motivated by other characteristics not observed in this study. The results, in general, point, once again, to an opposite behavior between coordinated and liberal countries, in addition to a more dynamic behavior in emerging countries, which is in line with the general approach of this thesis.

The thesis contributes to the theoretical body that explains CSR practices based on comparative institutionalism. The focus given to developing countries allows new conclusions about national CSR governance. The papers that compose this thesis show, in different ways, that the conclusions about mirror and substitute governance cannot be simply transported to countries like Brazil and India. It is revealed that there is a greater dynamism of institutional forces in these countries, which shape the business environment and make more dynamic and more diffuse responses to emerge from companies there. Thus, from the perspective of comparative institutionalism, it is evident that the evolution of the theoretical body necessarily involves understanding the institutional dynamics of developing countries (WOOD; SCHNYDER, 2020). As for CSR studies, this thesis adds to the discussion by expanding the understanding of CSR practices and what motivates their adoption in contexts different from what is observed in western-centric contexts (MELISSEN et al., 2018).

This thesis has implications for international business, as developing countries have become increasingly important for the global economy, an increasing number of multinational companies are looking to operate in these countries. Understanding the differences that the institutional context of these countries brings to the business environment is important for defining a more efficient business strategy. Adopting international CSR standards without considering the idiosyncrasies of developing countries may not be the optimal strategy. Another implication concerns the discussion of voluntary-versus -mandatory CSR (SHEEHY, 2015). Given the lack of clarity of the institutional environment in developing countries, it is important that CSR practices are governed by regulatory apparatus, and not just seen as a management tool to reduce social harm. Gatti et al. (2019) states that considering CSR as a form of regulation does not neglect its voluntary dimension, and that “regulation” does not merely imply a collection of mandatory rules imposed by public authorities. On the contrary, it includes self-regulation, private and publicly imposed regulations, which may be important to further develop CSR in developing countries.

This thesis is not without limitations. In the first paper, it relies on survey information provided by managers, which reflect their perceptions on the questions asked, and may not truly reflect firms’ actual practices. The survey in the first paper was conducted during a period when the Brazilian economy was on the rise, a situation that has changed significantly in recent years. New research may lead to different conclusions. Both the second and third papers used country-level data, which, in many cases, are not available or have low variability among years. This limits the number of countries, indicators and years that can be used in the analysis, and makes the use of more conventional statistical techniques unfeasible in some cases. Another limitation is the fact that all three papers relied on non-probabilistic samples, which one of the main limitations is the lack of generalization.

Future research may try to solve some of these limitations. A new survey applied to the Brazilian context may bring new conclusions, due to the change in the country's economic situation, which may help to better understand how companies interpret the country's institutional environment and make their decisions on CSR practices. In addition, more detailed CSR practices can be used (e.g. practices aimed at employees, community, circular economy, industrial symbiosis or climate change.), since different dimensions of CSR may be affected by different institutional characteristics. This specification may also shed light on the debate on how CSR and the institutional environment interact. Another suggestion is the use of more countries that integrate different VIS typologies. This can bring more elements to the comparative approach, especially in the issue of CSR explicitization and how it unfolds. A larger sample may also allow the use of other statistical techniques, such as hierarchical models, due to the addition of greater variability to the data, which may lead to new theoretical and managerial discussions.

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